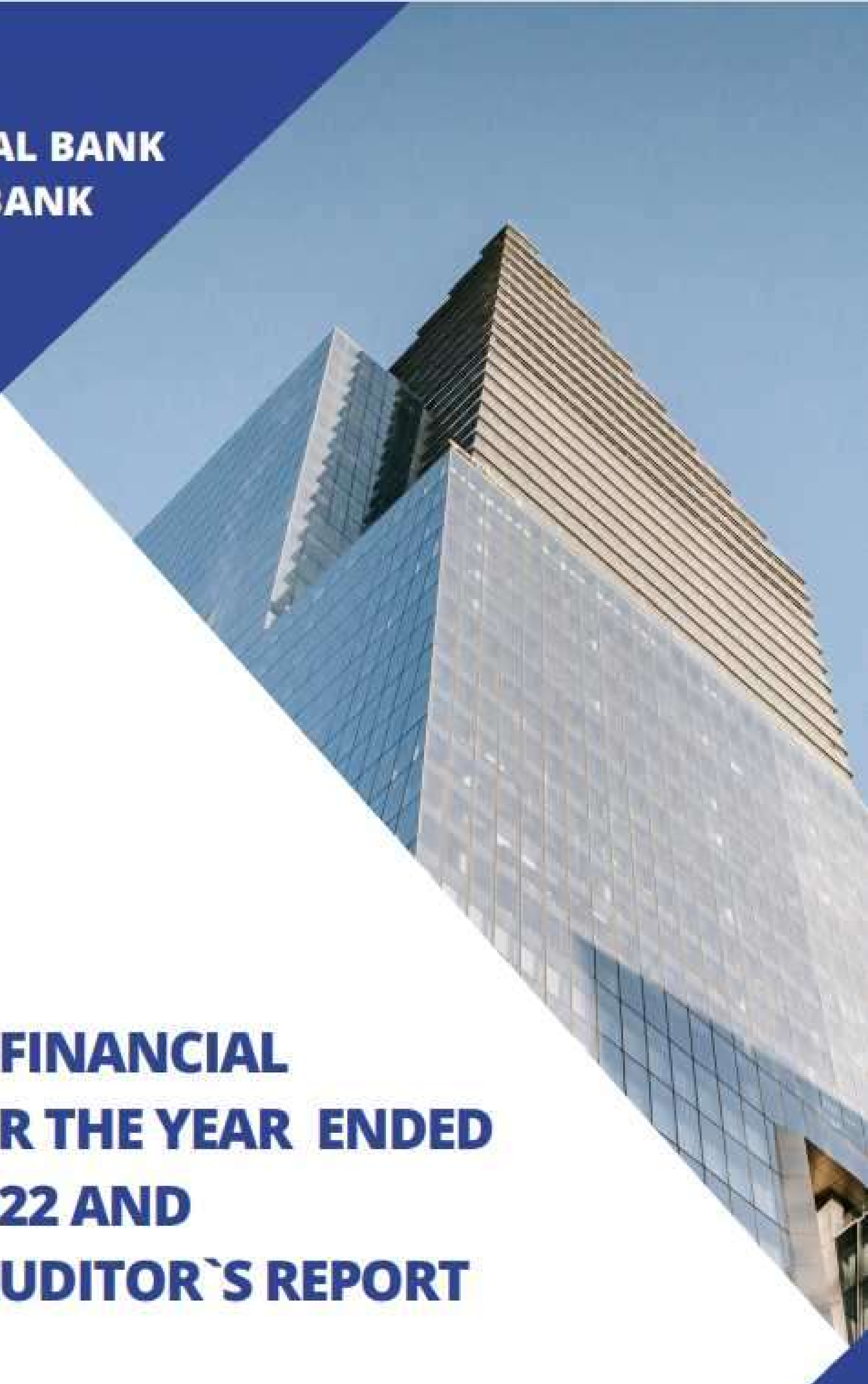
JOINT STOCK COMMERCIAL BANK
QISHLOQ QURILISH BANK



CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND INDEPENDENT AUDITOR`S REPORT

QISHLOQQURILISHBANK

TABLE OF CONTENTS

Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Financial Statements for the Year Ended 31 December 2022

Management of Joint-Stock Commercial Bank "Qishloq Qurilish Bank" is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint-Stock Commercial Bank "Qishloq Qurilish Bank" and its subsidiary (collectively - the "Group") as at 31 December 2022 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Uzbekistan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2022 were approved by the Management Board of the Group on 26 June 2023.

On behalf of the Management Board:

Qishloq qurilish bank

Muratov A. A.
Chairman of the Management Board

Makhmudov Kh. T.
Chief Accountant

Deloitte.

"Deloitte & Touche"
Audit organization LLC
Business Center "Inkonel"
75, Mustakillik Avenue
Tashkent, 100000
Republic of Uzbekistan

Tel: +998 (78) 120 44 45
deloitte.uz

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of Joint Stock Commercial Bank "Qishloq Qurilish Bank"

Opinion

We have audited the consolidated financial statements of Joint Stock Commercial Bank "Qishloq Qurilish Bank" (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Liquidity and Going concern principle

We draw attention to Notes 3 and 16 to the consolidated financial statements which describes the non-compliance with certain financial covenants of its long-term loan agreements set by various international financial institutions. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Allowance for loans and advances to customers for expected credit losses As disclosed in Note 8 to the consolidated financial statements, the gross value of loans and advances to customers ("loans") amounted to UZS 20,892,417 million with related allowances for expected credit losses of UZS 1,637,365 million as at 31 December 2022. Depending on the significance of loans, the management determines the expected credit losses ("ECL") on a collective or individual basis.	We obtained an understanding of the processes and relevant control procedures over ECL provisioning, in particular, identification of significant increase in credit risk ("SICR" or "stage 2") and credit-impaired loans ("stage 3"), and the ECL modelling, including controls with respect to the completeness of the list of restructured loans and whether their stages are properly identified in the ECL calculation model. We also assessed the Group's impairment methodology for compliance with the requirements of IFRS 9.

Turgunboy Tokhirov, Qualified Auditor/Engagement Director

Deloitte.

During the year, the Bank has restructured loans of some borrowers under its own initiative and/or as a result of government's support of certain sectors of the economy. The changes in loan repayment schedules have increased judgment in relation to classification of loans into various impairment stages as stipulated under IFRS 9.

The underlying information used in the ECL model on loans assessed on a collective basis may include errors. The errors could be due to an incomplete list of loans that have been restructured. As the status of loan restructuring is one of the significant criteria for determination of stage categorization, an incomplete list of restructured loans might result in understatement of expected credit losses and overstatement of the net profit.

Individual assessment of expected credit losses for significant borrowers involves an analysis of overdue interest or principal, including determining whether a significant increase in credit risk or credit impairing events have occurred on loans since their initial recognition. The understatement of the value of the overdue days when determining stages for individually significant borrowers might result in improper staging which may significantly affect the allowance for the expected credit losses for individually significant borrowers.

Additionally, for significant loans classified as stage 3, the analysis involves estimation of future cash flows under the different scenarios weighted for their probabilities. Information used for such analysis includes expected value of collateral, costs and time required to sell the collateral.

Allowance for ECL is determined to be a key audit matter due to the significance of Loans and advances to customers' balances and the degree of judgement and estimation uncertainty, as discussed in Note 4, 8 and Note 30 to the consolidated financial statements.

For loans collectively assessed for impairment, with the assistance of internal credit risk specialists, we assessed the integrity and mathematical accuracy of the ECL models.

We obtained a list of loans that have been restructured and a list of legal claims, assessed accuracy and completeness of data and ascertained that stages of the restructured loans and the litigation cases were accurately reflected in the Group`s loan portfolio. To test completeness of the list of such loans, we had selected a sample of loans and verified that classification of those loans was accurate.

We tested, on a sample basis, the accuracy and completeness of input data in the models, including principal balances, allocation of loans by days in arrears, and checked other parameters of the model, such as delinquency of interest or principal, including off-balances, restructuring events, existence of litigation processes and statistics for recoveries of loans.

For individually assessed loans, we analyzed the appropriateness of loans' staging by selecting a sample of these loans and testing whether conditions, including existence of overdue days, restructuring and current financial performance of the borrower for classification into respective stages were met.

We checked the fair value of collateral used for the calculation of allowances for ECL for individually significant loans in stage 3.

We also analyzed the Group's documented credit assessment of the borrowers, challenging assumptions underlying the ECL calculation, including future cash flow projections and the market valuation of collateral, as evidenced by available market and internal information.

We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans in accordance with IFRS requirements.

Other Information – Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Turgunboy Tokhirov, Qualified Auditor/Engagement Director

Deloitte.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Turgunboy Tokhirov, Qualified Auditor/Engagement Director

Deloitte.

Report of findings from procedures performed in accordance with the requirements of Law of the Republic of Uzbekistan No. LRU-580 dated 5 November 2019 "On Banks and Banking Activity"

Management of the Group is responsible for the Bank's compliance with prudential ratios set by the Central bank of the Republic of Uzbekistan ("Central bank") and ensuring that internal control and organization of risk management systems comply with Central bank requirements.

In accordance with Articles 74 of Law of the Republic of Uzbekistan No. LRU-580 dated 5 November 2019 "On Banks and Banking Activity" (the "Law"), we have performed procedures to check:

— the Bank's compliance with prudential ratios as at 31 December 2022 set by the Central bank;
— whether the elements of the Bank's internal control and organization of risk management systems comply with Central bank requirements.

These procedures were selected based on our judgment, and were limited to an analysis and study of documents; a comparison of the Bank's approved requirements, procedures and methodologies with Central bank requirements, as well as recalculations, comparisons and reconciliations of numerical data and other information.

Our findings from the procedures performed are as follows.

Based on our procedures with respect to the Bank's compliance with prudential ratios set by the Central bank, we found that the Bank's prudential ratios, as at 31 December 2022, were within the limits set by the Central bank.

We have not performed any procedures on the underlying accounting data of the Bank, other than those which we considered necessary to enable us to express an opinion as to whether the Group's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS.

Based on our procedures with respect to whether the elements of the Group's internal control and organization of risk management systems comply with Central bank requirements, we found that:

- in accordance with Central bank requirements and recommendations, as at 31 December 2022, the Bank's internal audit function was subordinated and accountable to the Supervisory Board, and the risk management function of the Bank was not subordinated and accountable to subdivisions assuming corresponding risks;
- the frequency of reports prepared by the Bank's internal audit function during 2022 complied with Central bank requirements. The reports were approved by the Bank's Supervisory Board and included observations made by the Bank's internal audit function in respect of internal control systems;
- as at 31 December 2022 the Bank has an information security function in place as required by the Central bank, and an information security policy was approved by the Bank's Management Board. The information security function was subordinated to and reported directly to the Chairman of the Management Board;
- Reports by the Bank's information security function to the Chairman of the Management Board during 2022 included an assessment and analysis of information security risks, and the results of actions to manage such risks;
- the Bank's internal documentation, effective as at 31 December 2022, that sets out methodologies to identify and manage the Bank's significant risks, and carry out stress-testing, was approved by the Bank's authorised management bodies in accordance with Central bank requirements and recommendations;
- as at 31 December 2022, the Bank maintained a system for reporting on the Bank's significant risks, and on the Group's capital;
- the frequency during 2022 of reports prepared by the Bank's risk management functions, and which cover the Group's management of significant risks, was in compliance with the Bank's internal documentation. Those reports included observations made by the Bank's risk management functions as to their assessment of the Group's significant risks, risk management system and recommendations for improvement;

Turgunboy Tokhirov, Qualified Auditor/Engagement Director

Deloitte.

- as at 31 December 2022, the Supervisory Board and Executive Management of the Bank had responsibility to monitor the Group's compliance with risk and capital adequacy limits set by Bank internal documentation. To exercise control over the effectiveness of Group risk management procedures and their consistent application during 2022, the Supervisory Board and Executive Management of the Bank regularly discussed the reports prepared by the risk management and internal audit functions of the Bank and considered proposed measures to eliminate weaknesses.

Procedures with respect to elements of the Group's internal control and organization of risk management systems were performed solely for the purpose of examining whether these elements, as prescribed by the Law and as described above, comply with Central bank requirements.

Deloitte va Touche

"Deloitte & Touche" Audit Organisation LLC
is included in the register of audit organisations of the Ministry of Finance of the Republic of Uzbekistan from 8 June 2021

26 June 2023
Tashkent, Uzbekistan

Turgunboy Tokhirov
Qualified Auditor/Engagement Director
Auditor qualification certificate authorizing audit of companies, #05422 dated 20 August 2016 issued by the Ministry of Finance of the Republic of Uzbekistan

Auditor qualification certificate authorizing audit of banks, #6/11 dated 29 March 2021 issued by the Central bank of the Republic of Uzbekistan

Acting Director
"Deloitte & Touche" Audit Organisation LLC

JOINT-STOCK COMMERCIAL BANK "QISHLOQ QURILISH BANK"
Consolidated Statement of Financial Position
(in millions of Uzbekistan Soums)

	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	6	2,046,066	1,311,121
Due from other banks	7	612,256	362,799
Loans and advances to customers	8	19,255,052	16,885,058
Investment securities measured at amortised cost	9	1,246,670	787,552
Financial assets at fair value through other comprehensive income	10	21,284	15,925
Property and equipment	11	348,561	325,777
Intangible assets	11	22,817	3,116
Deferred income tax asset	27	293,160	147,358
Current income tax prepayment		11,183	30,862
Other assets	12	35,904	75,321
Assets classified as held for sale	13	63,489	-
TOTAL ASSETS		**23,956,442**	**19,944,889**
LIABILITIES AND EQUITY			
LIABILITIES			
Due to other banks	14	2,292,335	1,401,962
Customer accounts	15	4,911,716	4,169,128
Borrowings from government and international financial institutions	16	14,666,621	12,131,007
Debt securities in issue	17	104,498	94,456
Other liabilities	18	50,946	42,073
Liabilities associated with assets held for sale	13	26,281	-
Total liabilities		**22,052,397**	**17,838,626**
EQUITY			
Share capital	19	1,859,887	1,859,887
Share premium	19	942	942
Retained earnings		39,425	244,828
Investment revaluation reserve		3,791	481
Other reserves		-	125
Total equity		**1,904,045**	**2,106,263**
TOTAL LIABILITIES AND EQUITY		**23,956,442**	**19,944,889**

Approved for issue and signed on 26 June 2023.

Qishloq qurilish bank

Muratov A. A.
Chairman of the Management Board

Makhmudov Kh. T.
Chief Accountant

(in millions of Uzbekistan Soums)

	Notes	2022	2021
Interest income	21	2,613,455	1,901,717
Interest expense	21	(1,540,908)	(1,055,887)
NET INTEREST INCOME		**1,072,547**	**845,830**
Provision for expected credit losses	30	(739,732)	(446,212)
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS		**332,815**	**399,618**
Fee and commission income	22	192,507	141,092
Fee and commission expense	22	(45,922)	(28,596)
Net gain on foreign exchange operations	23	39,730	24,464
Other income	24	5,793	7,247
Impairment losses on other operations	12	-	(27,359)
Income from insurance operations		15,290	22,280
Expense from insurance operations		(977)	(13,350)
Change in insurance reserves, net	13, 25	(10,364)	(8,865)
NET NON-INTEREST INCOME		**196,057**	**116,913**
OPERATING INCOME		**528,872**	**516,531**
Operating expenses	26	(786,747)	(501,715)
(LOSS)/PROFIT BEFORE INCOME TAX		**(257,875)**	**14,816**
Income tax benefit/(expense)	27	52,615	(1,444)
(LOSS)/PROFIT FOR THE YEAR		**(205,260)**	**13,372**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Changes in the fair value of equity instruments classified as FVTOCI		4,137	601
Income tax relating to the equity instruments classified as FVTOCI		(827)	(120)
Other comprehensive income for the year		**3,310**	**481**
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR		**(201,950)**	**13,853**
Basic and diluted (loss)/income per ordinary share (expressed in UZS per share)	28	**(14)**	**1**

Approved for issue and signed on 26 June 2023.

Qishloq
qurilish bank

Muratov A. A.
Chairman of the Management Board

Makhmudov Kh. T.
Chief Accountant

(in millions of Uzbekistan Soums)

	Note	Share capital	Share premium	Retained earnings	Investment revaluation reserve	Other reserves	Total equity
31 December 2020		**1,859,887**	**942**	**231,724**	**-**	**125**	**2,092,678**
Profit for the year		-	-	13,372	-	-	13,372
Other comprehensive income for the year, net of income tax		-	-	-	481	-	481
Dividends declared - preference shares	18	-	-	(268)	-	-	(268)
31 December 2021		**1,859,887**	**942**	**244,828**	**481**	**125**	**2,106,263**
Loss for the year		-	-	(205,260)	-	-	(205,260)
Other comprehensive income for the year, net of income tax		-	-	-	3,310	-	3,310
Change in other insurance reserves		-	-	125	-	(125)	-
Dividends declared - preference shares	18	-	-	(268)	-	-	(268)
31 December 2022		**1,859,887**	**942**	**39,425**	**3,791**	**-**	**1,904,045**

Approved for issue and signed on 26 June 2023.

Muratov A. A.
Chairman of the Management Board

Makhmudov Kh. T.
Chief Accountant

(in millions of Uzbekistan Soums)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		2,519,816	1,833,959
Interest paid		(1,481,916)	(1,023,573)
Fees and commissions received		181,495	141,338
Fees and commissions paid		(45,922)	(28,596)
Income received from trading in foreign currencies		37,630	25,921
Income from insurance operations received		15,290	22,280
Expense from insurance operations paid		(977)	(13,350)
Other income received		2,911	4,132
Staff costs paid		(489,675)	(372,345)
Operating expenses paid		(220,859)	(121,444)
Income tax paid		(74,335)	(79,329)
Cash flows from operating activities before changes in operating assets and liabilities		**443,458**	**388,993**
Net (increase)/decrease in:			
- due from other banks		(298,850)	74,029
- loans and advances to customers		(2,695,921)	(3,758,278)
- other assets		63,436	(19,606)
Net increase/(decrease) in:			
- due to other banks		830,947	295,207
- debt securities		9,999	41,600
- customer accounts		725,414	1,170,421
- other liabilities		7,104	(16,085)
Net cash used in operating activities		**(914,413)**	**(1,823,719)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(110,877)	(73,825)
Proceeds from sale of property and equipment		2,136	5,925
Acquisition of financial assets at fair value through other comprehensive income		(1,222)	(5,000)
Acquisition of Investment securities measured at amortised cost		(1,090,442)	(790,367)
Proceeds from disposal of Investment securities measured at amortised cost		653,616	205,569
Dividend income received		2,335	464
Net cash used in investing activities		**(544,454)**	**(657,234)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(263)	(393)
Proceeds from borrowings from government and international financial institutions	20	5,060,618	4,342,803
Repayment of borrowings from government and international financial institutions	20	(2,884,841)	(1,615,683)
Net cash inflow from financing activities		**2,175,514**	**2,726,727**
Effect of changes in foreign exchange rate on cash and cash equivalents		20,722	15,280
Effect of changes in expected credit losses		(2,424)	31
Net increase in cash and cash equivalents		**734,945**	**261,085**
CASH AND CASH EQUIVALENTS at the beginning of the year	6	**1,311,121**	**1,050,036**
CASH AND CASH EQUIVALENTS at the end of the year	6	**2,046,066**	**1,311,121**

Approved for issue and signed on 26 June 2023.

Qishloq qurilish bank

Muratov A. A.
Chairman of the Management Board

Makhmudov Kh. T.
Chief Accountant

(in millions of Uzbekistan Soums, unless otherwise indicated)

1. Introduction

Joint-Stock Commercial Bank "Qishloq Qurilish Bank" ("the Bank") was incorporated on 30 March 2009 in Tashkent, the Republic of Uzbekistan under the Resolution of the President of the Republic of Uzbekistan dated 30 March 2009. The Bank was established on the base of the former OJSC "Gallabank", which was incorporated on 2 August 1994 in Tashkent, the Republic of Uzbekistan. The Bank is state controlled as a significant portion of its equity is owned by the Ministry of Finance of the Republic of Uzbekistan ("MOF") and Uzbekistan Fund for Reconstruction and Development ("UFRD").

The Bank is a joint-stock company limited by shares and was set up in accordance with Uzbek regulations.

Principal activity. The Bank's principal activity is commercial and retail banking operations within the Republic of Uzbekistan, as well as foreign exchange dealing on international foreign currency markets. The Bank was granted a new banking license #77 issued by the Central bank of Uzbekistan ("CBU") on 25 December 2021.

A significant portion of the Bank's activities are related to its role as a Government agent in improving the living conditions of the rural population and financing construction in villages, acceleration of the development of the industrial and social infrastructure in the rural areas by issuing long-term mortgage loans to residents living in such areas. These activities represent a significant part of the Bank's assets, funding sources and income generation and carried out in accordance with the Loan Agreements between the Asian Development Bank, Saudi Fund for Development and the Government of the Republic of Uzbekistan on Housing for Integrated Rural Development Investment Program (the "Program).

The Bank participates in the state deposit insurance scheme, introduced by Uzbek Law #360-II "Insurance of Individual Bank Deposit" dated 5 April 2002. On 28 November 2008, the President of the Republic of Uzbekistan issued Decree #PP-4057 stating that in case of withdrawal of a license, the State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount.

The Bank operates through its Head Office in Tashkent, Republic of Uzbekistan, and 43 branches within Uzbekistan (2021: 43 branches).

As at 31 December 2022, the Bank's registered address was: 18 A, Navoi str., Tashkent, 100011, Republic of Uzbekistan.

On 3 July 2019, the Bank established an insurance company JSC "Perfect Insurance" with 100 percent ownership. As at 31 December 2022 and 2021, the company was a single subsidiary of the Bank.

Presentation currency. These consolidated financial statements are presented in Uzbekistan Soums ("UZS"), unless otherwise stated.

As at 31 December 2022 and 2021, the following shareholders owned issued shares of the Bank:

	31 December 2022	31 December 2021
Shareholders:		
Ministry of Finance of the Republic of Uzbekistan	74.07%	74.07%
Uzbekistan Fund for Reconstruction and Development	23.89%	23.89%
Others (individually holding less than 5% of the share capital of the Group)	2.04%	2.04%
Total	**100.00%**	**100.00%**

The Group is ultimately controlled by the Government of the Republic of Uzbekistan.

2. Operating Environment of the Group

Emerging markets such as Uzbekistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Uzbekistan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Uzbekistan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Uzbekistan produces and exports gold in large volume, its economy is sensitive to the price of gold on the world market.

During 2022, the gold price was subject to significant fluctuations with the average price of 1,801.87 USD per troy ounce (2021: 1,798.89 USD per troy ounce). At the end of 2022 the Uzbekistan’s gross domestic product (“GDP”) grew by 5.7%. In 2022, the highest inflation over the past three years was recorded in the country, amounting to 12.3% per annum (in 2021, inflation was 9.98% per annum).

The military and political conflict between Russia and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and restrict interaction with major financial institutions and many state enterprises. As a result of these sanctions, the export of labour to Russia and the related level remittances may also reduce, which could have a negative impact on the economy of Uzbekistan.

Moreover, in March 2022, the Uzbekistan Soum depreciated against major foreign currencies amid the external geopolitical situation. To reduce the negative impact of external factors on the economy of Uzbekistan, the Central Bank of the Republic of Uzbekistan made a number of adjustments to the base rate throughout 2022 and fixed it at 15% per annum at the end of the year comparing to 14% per annum at the beginning of the period. In addition, interventions on the currency market were performed to support the Uzbekistan Soum exchange rate against foreign currencies. However, there is uncertainty related to the future developments of geopolitical risks and their impact on the economy of the Republic of Uzbekistan.

Management of the Group is monitoring developments in the economic, political, and geopolitical situation and taking measures it considers necessary to support the sustainability and development of the Group’s business for the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Group’s operations.

3. Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set in this section. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The Group is required to maintain its records and prepare its consolidated financial statements for regulatory purposes in Uzbekistan Soums in accordance with Uzbekistan Accounting Legislation and related instructions. These consolidated financial statements are based on the Bank’s Uzbekistan Accounting Legislation books and records, adjusted and reclassified in order to comply with IFRS.

Going concern. These consolidated financial statements have been prepared assuming that the Group continues as a going concern, which contemplates that the Group will continue its operations for the foreseeable future.

The Group's activities continue to be affected by the uncertainty and instability of the current economic environment. The financial position and the results of the Group continue to be significantly impacted by the reforms of the new Government, including those directed at increasing living standards, incomes, and job opportunities in rural regions.

For the period ended 31 December 2022, the Group had a cash outflow from operating activities mainly as a result of on-lending the funds received from international financial institutions and the State to finance the government and investment projects increasing the loans and advances to customers amount by UZS 6,756,244 million or 32.3% (31 December 2021: UZS 6,706,421 million or 37.7%) as disclosed in Note 30. Cash flows stemming from the borrowings from government and international financial institutions has been disclosed as a part of financing activity whereas the loans and advances to customers considered part of operating activities in the consolidated cash flow statements of the Group which lead to negative cash flows in operating activities of the Group as a whole. As a result, the Group had operating cash outflow in the amount of UZS 914,413 million (31 December 2021: UZS 1,823,719 million). Additionally, net loss for the year amounted to UZS 205,260 million mainly due to increase in ECL on loans and advances to customers (please refer to Note 30 for ECL Movement).

As at 31 December 2022, the Group was not in compliance with certain financial covenants stipulated in loan agreements with Islamic Corporation for the Development of the Private Sector (ICD), Asian

Development Bank (ADB) provided through the Ministry of Finance of the Republic of Uzbekistan (the "Ministry of Finance" or "MOF"), International Fund for Agricultural Development (IFAD) via MOF, Banka Kombëtare Tregtare SH.a. and KFW IPEX BANK, and classified these loans in the total amount of UZS 2,211,928 million as "Up to 1 month" category as a result of the non-compliance with the covenants the cumulative liquidity gap up to 30 days comprised UZS 1,250,363 million, as discussed in detail in Notes 16 and 30.

As the Group is ultimately controlled by the Government and Group's main activities are related to its role as a Government agent in improving the living conditions of the rural population and financing construction in villages, accelerating the development of the industrial and social infrastructure in the rural areas by issuing long-term mortgage loans to residents living in such areas, and profit-seeking is not primary goal of the Group. The Management believes that the Group will be able to continue as a going concern for the foreseeable future based on the following:

- The Group is considered a State bank with the Ministry of Finance of the Republic of Uzbekistan and Uzbekistan Fund for Reconstruction and Development as key stakeholders, jointly holding 97.96% interest in the charter capital. The Group is a strategic financial institution of the Republic of Uzbekistan in rural development. Hence, the Group is extensively engaged by the State in implementing key social and economic welfare improvement projects, in particular, narrowing the rural-urban income disparities through constructing affordable and modern housing for the rural population throughout the country (low-income families, military servants and others), setting up related infrastructure, and expanding opportunities for entrepreneurs to develop business in rural areas. As a result, management is expecting the Government to continue to support the Group and considers that all operations will proceed in the normal course of business, with the State retaining the strategic control for the foreseeable future.
- The Bank plays a vital role as a government arm/vehicle to channel the State funds to the strategic sectors of the economy of Uzbekistan. Customer accounts being on demand comprise 28% of the total customer accounts balance as at 31 December 2022. 37% of these demand deposits are placed by State controlled entities which are either the Group's shareholders or its entities under common control and the past experience of the Group, indicate that these customer accounts provide a long-term and stable source of funding for the Group.
- During 2022, the Group has attracted additional short-term and long-term financings from the Government and International financial institutions for the total amount of equivalent to UZS 5,060,618 million in domestic and foreign currencies as described in Note 16 and the consolidated statement of cash flows.
- Continued support by the Government of the Republic of Uzbekistan, subsequent to the reporting date, the Group attracted additional long-term purpose funds and short-term deposits from the Government, in the amount of UZS 69,195 million and UZS 81,966 million, respectively, as described in Note 35.
- The Management regularly assesses the stability of its customer accounts funding base, in particular with respect to that of non-state entities, based on past performance and analysis of the events subsequent to the reporting date. Management believes that the customers intend to hold their term deposits with the Group, and that this source of funding will remain at a similar level for the foreseeable future.
- The Management of the Group is of the view that through their contingency plans the Group will be able to attract resources sufficient to cover any potential negative liquidity gap.
    - Attraction of budgetary funds up to one year through weekly electronic bidding platform run by State Treasury under the Ministry of Finance;
    - Utilization of CBU's short-term liquidity loans;
    - Attraction of deposits from inter-bank money markets within the limits set by local commercial banks.

As at 31 December 2022, the Group was in compliance with all prudential requirements set by CBU.

Accounting for the effects of hyperinflation. The Republic of Uzbekistan has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the consolidated financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the statement of financial position date. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of Uzbekistan indicated that hyperinflation had ceased effective from 1 January 2007. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, which are effectively share capital and premises and equipment, the amounts expressed in the measuring unit current as at 31 December 2006 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Uzbekistan Consumer Price Index (“CPI”), provided by the State Committee on Statistics of the Republic of Uzbekistan, and from indices obtained from other sources for years prior to 1994.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor’s returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee’s activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount (“negative goodwill”) is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group’s policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group’s equity.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Recognition and measurement of financial instruments*.* The Group recognises financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 Financial Instruments (“IFRS 9”) are required to be subsequently measured at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Retention of an asset to obtain the cash flows stipulated by the contract. This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets. This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "holding an asset to receive contractual cash flows" business model.
- Retention of an asset for other purposes. Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - a portfolio, which management and performance is measured on a fair value basis;
  - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

- loans and advances to customer are classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through other comprehensive income;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading, may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in net (loss)/gain on financial assets and liabilities at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other income" when the right to receive the payment has been established.

Financial assets measured at amortised cost or financial assets at fair value through other comprehensive income ("FVTOCI"). The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Group has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Expected credit loss (ECL) measurement - definitions

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The key inputs used for measuring ECL are:

- Probability of default (PD) – is an estimate of the likelihood of default over a given time horizon;
- Loss given default (LGD) – is an estimate of the loss arising on default; and
- Exposure at default (EAD) – is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Default and credit-impaired assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

The financial asset is considered in default, or credit-impaired, if it meets any of the following criteria:

Individually significant loans

- breaches of contract such as a default or past due event on its contractual payments for 90 days or more;
- loans classified as unsatisfactory, doubtful or bad in accordance with CBU classification;
- significant financial difficulty of the borrower;
- loans that had been restructured since the initial recognition (except for loans restructured not because of the deterioration in the borrowers' creditworthiness or restricted because of the decision of the higher authority);
- absence of communication with the borrower or information about the financial condition of this borrower;

Collectively assessed loans

- loans that have either principal or interest past due for more than 90 days;
- loans classified as unsatisfactory, doubtful or bad in accordance with CBU classification;
- loans that had been restructured since the initial recognition (except for loans restructured not because of the deterioration in the borrowers' creditworthiness or restricted because of the decision of the higher authority);
- loans that have court rulings or are under litigation;
- presence of past due principal or interest on off-balance accounts in accordance with CBU classification and Resolution of CBU on non-accrual of interest;
- loans that have matured but not repaid;
- loans that have positive difference between the amount of accrued overdue interest as at the reporting date and that of as at the previous quarter;
- purchase or origination of credit-impaired (POCI) financial assets.

Debt securities, interbank deposits, and correspondent accounts

- counterparties or issuers rated at CC (Standard & Poor's) or lower;
- counterparties or issuers are past due more than 30 days;
- negative information on counterparties or issuers;
- purchase or origination of credit-impaired (POCI) financial assets;
- events of cross-default on other liabilities of counterparties or issuers.
- the counterparty or issuer has significant deterioration of operating results.

Significant increase in credit risk (SICR)

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or subsidiary criteria have been met:

Individually significant loans

- breaches of contract such as a past due event on its contractual payments for 31–90 days;
- loans classified as sub-standard in accordance with CBU classification;
- significant financial difficulty of the borrower;
- actual or expected deterioration in the external credit rating for two or more notches;
- reduction of financial support from the Government or affiliated entities;
- significant changes in the quality of loan collateral or the quality of guarantees / warranties provided by third parties that are expected to reduce the economic incentive for the borrower to make scheduled payments or otherwise affect the likelihood of default;
- credit-impaired loans (stage 3), provided the borrower extinguished its gross outstanding debt below the amount that had been before transition to credit-impaired classification;
- loans, whose borrowers have been sued by the Group or other creditors but legal proceedings have not been started;
- expected breaches of contract that can lead to exemptions from covenants or amendments to covenants, temporary exemption from interest payment and other.

Collectively assessed loans

- loans that have either principal or interest past due for 31–90 days, inclusive;
- loans classified as sub-standard in accordance with CBU classification;
- credit-impaired loans as at the end of previous quarter because of meeting one or more criteria of stage 3 and that meet criteria for stages 1 or 2 as at the reporting date;
- loans that have past due interest as at the end of the current quarter, at the absence of historical information on overdue days;
- loans that have negative difference between the amount of accrued overdue interest as at the reporting date and that of as at the end of previous quarter;
- loans that have been restructured and that have been repaid for 25% of principal amount from the date of restructuring.

Debt securities, interbank deposits, and correspondent accounts

- deterioration of the external credit rating of counterparties or issuers rated:
  - at A- down to BB+;
  - at BBB+/B- down for three notches or to CCC+;
  - at CCC+ or below for one notch;
- overdue of accrued compensation (coupon) or principal for one day (except for technical overdue);
- negative information on counterparties or issuers.

ECL measurement - description of estimation techniques

General principle

With the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

The Group defines individually significant loans as loans with total outstanding balances exceeding the threshold of 5% of the Bank's average profit before tax accounted in accordance with Uzbekistan GAAP and instructions set by CBU for the last three years. ECL for individually significant loans in Stage 3 are assessed on an individual basis, whereas, ECL for individually significant loans in Stage 1 and 2 are assessed on a collective basis.

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favourable change for such assets creates an impairment gain.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and

- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset’s cash flows; or (b) retains the right to the asset’s cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the consolidated statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognised. Where the Group has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Modification and derecognition of financial assets.

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group’s policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

If these do not clearly indicate a substantial modification, then:

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification.

The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

Modification and derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include deposits with CBU and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory cash balances with CBU. Mandatory cash balances with CBU are carried at amortised cost and represent non-interest-bearing mandatory reserve deposits which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty Banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Due from CBU include non-interest bearing mandatory reserve deposit held with CBU against deposits. This deposit is not available to finance the Group's day to day operations, and hence is not considered as part of cash and cash equivalents for the purposes of these consolidated financial statements. Amounts due from other Banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 32.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include no repayment during 5 years from the last repayment. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Property and equipment. Property and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the statement of comprehensive income.

Depreciation. Construction in progress is not depreciated. Depreciation of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Building and premises	20
Office and computer equipment	5-10

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets. The Group's intangible assets have definite useful lives and primarily comprise separately acquired computer software. The acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over estimated useful lives of five years and accumulated impairment losses.

The Group as a lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases (lease term of 12 months or less) and leases of low-value assets (such as electronic terminals and other). The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Judgements related to the application of IFRS 16

Although, for majority of its lease agreements there is an option to extend short term lease agreements at maturity with new terms with the consent of both parties, the Management of the Group considers that these agreements fall under IFRS16 exemption available for short-term leases due to the fact that agreements are not enforceable after the initial lease term due to insignificant economic penalties to be

incurred by both parties in case the lease is not extended. As such, the Group applies the exemption for short-term leases consistently on transition and subsequently.
Under IFRS 16, right-of-use assets were assessed for impairment in accordance with IAS 36 Impairment of Assets.

The right-of-use assets and lease liabilities had no material impact on the disclosures or on the amounts reported in these consolidated financial statements.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of finance lease receivables. The Group uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables’ net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Non-current assets held for sale. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Due to other banks. Amounts due to other banks are recorded when money or other financial instruments are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost. If the Group purchases its own debt, the liability is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax credit comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not recognised on post acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Group controls the subsidiary’s dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Trade payables and other liabilities*.* Trade payables and other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital*.* Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends*.* Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorized for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For credit-impaired financial assets, the interest income is calculated by applying the effective interest rate (“EIR”) to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses).

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset’s effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees relating to investment funds are recorded rateably over the period that the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Basis of accounting for insurance activities.

Insurance operations income primarily comprises of premiums written less provision for unearned premiums.

Premiums written. Premiums are recognized within insurance operations income upon inception of a contract for the full amount.

Provision for unearned premiums. The Group calculated Unearned Premium Reserve (UPR) according to legislation requirements, where insurance lines of business are divided into four accounting groups. For the first accounting group, the unearned premium is calculated separately for each insurance contract using the "pro rata temporis" method, which is in line with IFRS. The "pro rata temporis" method includes calculation of unearned premium in proportion to the remaining useful life of insurance contract at the balance sheet date. For the other accounting groups, UPR calculated differently, not in accordance with IFRS.

Claims. Claims and claims handling expenses are charged to the consolidated statement of profit or loss and other comprehensive income as incurred based on the evaluated liability for compensation payable to policyholders or third parties, net of subrogation. Subrogation is a right to pursue third parties for payment of some or all costs related to the claims settlement process.

Loss provision. Loss provision represents the accumulation of estimates for ultimate losses and includes provision for losses reported but not settled ("RBNS") and incurred but not yet reported ("IBNR"). Estimates of claims handling expenses are included in both RBNS and IBNR. RBNS is provided in respect of claims reported, but not settled as at the reporting date. The IBNR is determined by summing the IBNR estimated for each line of business. The Group calculates IBNR of at least 10 percent of the base insurance premium under insurance contracts for the period twelve months prior to the reporting date, which is in accordance with the insurance legislation (Regulation on insurance reserves of insurers in accordance with Order of the Minister of Finance of 20 November 2008 N 107, registered by the Ministry of Justice on 15 December 2008 N 1882). Reserves for insurance contracts primarily comprises of provision for unearned premiums and insurance loss provisions.

Preventive measures reserve. The Group is restricted in its use of a portion of premiums received by the Group on certain types of insurance under terms established by insurance legislation (Regulation on insurance reserves of insurers in accordance with Order of the Minister of Finance of 20 November 2008 N 107, registered by the Ministry of Justice on 15 December 2008 N 1882). The reserve is calculated as a percentage of insurance premiums earned in reporting period. The purpose of the Preventive Measures Reserve ("PMR") is to provide funds for the cost of financing measures that prevent accidents, promote general safety, and prevent the loss of or damage to insured property, as well as to finance other measures aimed at preventing the occurrence of insurance events.

Stabilization reserve. An additional reserve that a Group is required by regulation to establish (Regulation on insurance reserves of insurers in accordance with Order of the Minister of Finance of Republic of Uzbekistan dated 20 November 2008 N 107, registered by the Ministry of Justice on 15 December 2008 N 1882) and is necessary for the Group to hold, over and above its insurance reserves and preventive measure reserve, to ensure that, under a prescribed change in financial conditions, the Group still has enough assets to cover its liabilities.

Liability adequacy test. At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, the current best estimates of the future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the consolidated statement of comprehensive income by subsequently establishing a provision for losses arising from the liability adequacy tests.

Valuation of incurred but not reported insurance claims reserve. The Group establishes IBNR reserve to recognize the estimated cost of losses for events which have already occurred but which have not yet been notified. This reserve is established to recognize the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the Group relies upon historical information, loss experience analysis, type and extent of coverage to estimate its IBNR liability. The Group also uses reported claim trends, claim severities, exposure growth, and comparisons with the results of industry benchmarks in estimating its IBNR reserves. These reserves are revised as additional information becomes available and as claims are actually reported.

The management estimates its IBNR reserve at each year-end and reassesses on quarterly basis to ensure that the resulting provision in the Group's consolidated balance sheet reflects management's best estimate of the total costs required to settle IBNR. If the ending IBNR reserve is not considered adequate, an adjustment is recorded.

Due to inherent uncertainty underlying IBNR reserve estimates, including, but not limited to, the future settlement environment, final resolution of the estimated liability may be different from that anticipated at the reporting date. Therefore, actual paid losses in the future may yield a significantly different amount than currently reserved — favourable or unfavourable.

Borrowings from Government and international financial institutions. These funds include borrowings from Government and nongovernment funds and financial institutions and are carried at amortised cost.

The Group obtains long term financing from Government and other international financial institutions at interest rates at which such institutions ordinarily lend in emerging markets and which may be lower than rates at which the Group could source the funds from local lenders. As a result of such financing, the Group is able to advance funds in the form of mortgage loans to specific customers at advantageous rates. Management has considered whether gains or losses should arise on initial recognition of such instruments. As the transactions are with unrelated parties, management's judgement is that these funds and the related lending are at the market rates and no initial recognition gains or losses should arise. In making this judgement management also considered that these instruments are a separate market segment.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

Staff costs and related contributions. Wages, salaries, contributions to Uzbekistan state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Foreign currency translation. The functional currency of the Group, which is the currency of the primary economic environment in which the Group operates and the Group's presentation currency is the national currency of the Republic of Uzbekistan, Uzbekistan Soum ("UZS").

Monetary assets and liabilities are translated into Group's functional currency at the official exchange rate of CBU at the end of respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Group's functional currency at year-end official exchange rates of CBU are recognised in profit or loss for the year. Translation at the year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

The results and financial position of each group entity are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate.

At 31 December 2022, the principle rate of exchange used for translating foreign currency balances was USD 1 = UZS 10,837.66 (2021: UZS 10,476.92), EUR 1 = UZS 12,224.88 (2021: UZS 12,786.03). Exchange restrictions and controls exist over the conversion of UZS into other currencies. The UZS is not a freely convertible currency outside of Uzbekistan.

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Segment reporting. The Group's operations are single reportable segment.

The Group provides mainly banking services in the Republic of Uzbekistan. The Group identifies the segment in accordance with the criteria set in IFRS 8 "Operating Segments" and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 30 for analysis of financial instruments by expected maturity.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical accounting judgements

Business model assessment. Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk. As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable information.

Restructured loans.

The Group restructures some of the loans and advances to customers. Based on the assessment of the borrowers' ability to service the loans before being restructured the management updates its ECL model by classifying those loans into the relevant stages of impairment. The accounting policy states that the restructure of loans are an indication of a significant increase in credit risk or an event of default. However, when the restructure of loans is recommended by the higher authority, there is no immediate indication of a significant increase in credit risk or default. In assessing the appropriate impairment stage classification the Group takes into account qualitative and quantitative information related to the loans that have been restructured.

Establishing groups of assets with similar credit risk characteristics. When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 30 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used. As explained in Note 3, the Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Measurement of allowances for expected credit losses (“ECL”). The allowances for ECL of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Uzbekistan and in other countries it operates in and what effect such changes might have on the adequacy of the allowances for ECL of financial assets in future years.

For the carrying amount of the allowance for ECL of loans and advances to customers refer to Notes 8 and 30.

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario. When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. Key assumptions in the business plan are: The Group is expecting to achieve stable growth in net profit during following years and has significant portfolio of state controlled customers within production and construction sectors.

Tax legislation. Uzbekistan tax, currency and customs legislation is subject to varying interpretations. Refer to Note 27.

Key sources of estimation uncertainty

Probability of default. PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

(in millions of Uzbekistan Soums, unless otherwise indicated)

Exposure at Default. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

The Group has performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumptions used to calculate ECL change by 5%.

The ECL would increase by UZS 97,473 million or decrease by UZS 95,103 million (2021: increase by UZS 48,199 million or decrease by UZS 47,708 million).

The changes are applied in isolation for illustrative purposes, and are applied to inputs (PD and LGD) that are used to develop the estimate of expected credit losses.

Fair value measurement and valuation process. In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to Note 33 for more details on fair value measurement.

5. Application of new and revised International Financial Reporting Standards (IFRSs)

New and amended IFRS Standards that are effective for the current year

The following amendments and interpretations are effective for the Group effective January 1, 2022:

Amendments to IAS 16 Property, Plant and Equipment — Proceeds before Intended Use;
Annual Improvements to IFRS Standards 2018-2020 (May 2020);
Amendments to IFRS 3 (May 2020) Reference to the Conceptual Framework;
Amendments to IAS 37 (May 2020) Onerous Contracts - Cost of Fulfilling a Contract.

The above standards and interpretations were reviewed by the Group's management, but did not have a significant effect on the consolidated financial statements of the Group.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New or revised standard or interpretation	Applicable to annual reporting periods beginning on or after
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17 "Insurance contracts")	1 January 2023
Amendments to IAS 1- Classification of liabilities as current or non-current	*1 January 2023*
Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"	*1 January 2023*
Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction	*1 January 2023*
Amendments to IAS 8 – "Definition of Accounting Estimates"	*1 January 2023*

The Management of the Group does not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Groups in future periods.

IFRS 17 Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of
initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2023 (previously – on or after 1 January 2022).

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard and the transition date is the beginning of the period immediately preceding the date of initial application.

The Management of the Group does not expect that the application of this standard will have a material impact on the consolidated financial statements of the Group in the future, since the Group classified its insurance business as held for sale and subsequent to the reporting date sold the business as disclosed in Notes 13 and 35.

Amendments to IAS 1 Classification of Liabilities as Short-Term or Long-Term (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles). The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments apply retrospectively to the periods beginning on or after 1 January 2023. Early application is acceptable.

The Management of the Group does not expect that the application of these amendments could have an impact on the Group's consolidated financial statements in future periods.

Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies". Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

- Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is acceptable.

The Management of the Group does not expect that the application of these amendments could have an impact on the Group's consolidated financial statements in future periods should such transactions occur.

Amendments to IAS 12 "Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction". The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities;
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset;
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Amendments to IAS 8 "Definition of Accounting Estimates". The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates;
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty;
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error;
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods.

The Management of the Group does not expect that the application of these amendments could have an impact on the Group's consolidated financial statements in future periods should such transactions occur.

6. Cash and Cash Equivalents

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Cash on hand	508,339	282,428
Cash balances with the CBU (other than mandatory reserve deposits)	844,871	745,051
Correspondent accounts and overnight placements with other banks	289,966	218,445
Placements with other banks with original maturities of less than three months	405,315	65,198
Total cash and cash equivalents, gross	**2,048,491**	**1,311,122**
Less – Provision for expected credit losses	(2,425)	(1)
Total cash and cash equivalents	**2,046,066**	**1,311,121**

The analysis of credit quality and credit ratings of cash and cash equivalents is as follows:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Stage 1 (12 month ECL)		
Cash on hand	508,339	282,428
A1	8,406	219
Baa3	-	1,483
Ba1	-	127
B+	8,546	-
Ba3	-	4,267
B1	488,172	870,549
B	134,706	16,181
BB−	860,292	64,288
B2	2,594	71,580
B3	33,693	
Total stage 1, gross	**2,044,748**	**1,311,122**
Stage 3 (Lifetime ECL)		
Not rated	3,743	-
Total stage 3, gross	**3,743**	**-**
Total cash and cash equivalents, gross	**2,048,491**	**1,311,122**
Less: Provision for expected credit losses	(2,425)	(1)
Total cash and cash equivalents	**2,046,066**	**1,311,121**

All cash and cash equivalents balances are neither past due nor impaired.

For the balances with CBU, the quality categories are determined based on the Moody’s sovereign rating– B1 positive (as at 31 December 2021: B1 positive).

Changes in credit quality of cash and cash equivalents during the year are disclosed in Note 30. Information on related party balances is disclosed in Note 34.

7. Due from Other Banks

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Short term placements with other banks with original maturities of more than three months	384,611	126,486
Long term placements with other banks	144,664	165,636
Mandatory reserve deposit held with CBU	84,180	72,689
Restricted cash	1,283	1,658
Total due from other banks, gross	**614,738**	**366,469**
Less: Provision for expected credit losses	(2,482)	(3,670)
Total due from other banks	**612,256**	**362,799**

Restricted cash represents balances on correspondent accounts with foreign and local banks placed by the Group in respect of Letters of Credit and payment systems. The Group does not have the right to use these funds for the purposes of funding its own activities.

The analysis of credit quality and credit ratings of due from other banks is presented in the table below:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Stage 1 (12 month ECL)		
BB−	520,953	51,641
B1	90,116	208,239
B+	571	-
B2	-	8,901
B	2,486	60,942
B3	50	50
B−	-	21,676
Not rated	562	9,212
Total stage 1, gross	**614,738**	**360,661**
Stage 3 (Lifetime ECL)		
B1	-	5,520
Not rated	-	288
Total stage 3, gross	**-**	**5,808**
Total due from other banks, gross	**614,738**	**366,469**
Less: Provision for expected credit losses	(2,482)	(3,670)
Total due from other banks	**612,256**	**362,799**

For the balances with CBU, the quality categories are determined based on the Moody's sovereign rating– B1 positive (as at 31 December 2021: B1 positive).

Interest rate analysis and changes in credit quality of due from other banks for the year are disclosed are Note 30. Information on related party balances is disclosed in Note 34.

8. Loans and Advances to Customers

The Group uses the following classification of loans and advances to customers by classes:

- Mortgages under the Program – mortgage loans issued to individuals under Housing for Integrated Rural Development Investment Program (Note 1);
- Loans to legal entities – loans issued to clients with legal form of ownership;
- Loans to individuals – loans issued to individuals, except for mortgages issued under Housing for Integrated Rural Development Investment Program, which comprise:
  - commercial mortgage loans;
  - consumer loans;
  - educational loans;
  - other
- Net investment in finance lease – loans issued to legal entities that meet the definition of finance lease.

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Loans to legal entities	10,416,909	8,622,763
Mortgages under the Program	5,898,080	6,214,634
Loans to individuals	4,475,410	2,849,780
Net investment in financial lease	102,018	89,093
Total loans and advances to customers, gross	**20,892,417**	**17,776,270**
Less: Provision for expected credit losses	(1,637,365)	(891,212)
Total loans and advances to customers	**19,255,052**	**16,885,058**

Interest rate analysis of loans and advances to customers is disclosed in Note 30. Information on related party balances is disclosed in Note 34.

As at 31 December 2022, the Group had a single borrower with the aggregate principle balance of loans comprising UZS 220,433 million (31 December 2021: UZS 280,970 million).

As at 31 December 2022, Mortgages under the Program comprise loans and advances to customers that were pledged as collateral against borrowings from the JSC "Mortgage Refinancing Company of Uzbekistan" in the amount UZS 216,845 million (31 December 2021: UZS 161,246 million) (Note 16).

NPLs are loans in which the borrower is in default due to the fact that they have not made the scheduled payments for 90 days or more. The following table presents information about NPLs as at 31 December 2022 and 2021:

	31 December 2022	**31 December 2021**
Non-performing loans (*in millions of Uzbekistan Soums*)	1,985,517	1,367,104
Non-performing loans ratio (Non-performing loans balance divided by the gross loan portfolio)	9.50%	7.69%
NPL coverage ratio (total allowance for expected credit losses on loans and advances to customers divided by non-performing loans balance)	82%	65%

The table below summarizes carrying value of loans and advances to customers analysed by economic sector concentrations:

	31 December 2022		**31 December 2021**	
In millions of Uzbekistan Soums	**Amount**	**%**	**Amount**	**%**
Individuals	10,373,490	50	9,064,414	51
Manufacturing	3,449,546	17	2,419,305	14
Trade	2,278,280	11	2,379,943	13
Construction	1,836,456	9	1,125,638	6
Agriculture	1,231,186	6	1,356,796	8
Services	1,030,983	5	947,800	5
Transport and communication	424,537	2	423,225	3
Other	267,939	-	59,149	-
Total loans and advances to customers, gross	**20,892,417**	**100**	**17,776,270**	**100**

Individuals comprise of the Mortgages under the Program and Loans to individuals.

The analysis of credit quality of loans and advances to customers is presented in the table below:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Stage 1 (12-month ECL)	14,957,332	14,508,167
Stage 2 (Lifetime ECL)	2,411,808	1,329,925
Stage 3 (Lifetime ECL)	3,523,277	1,938,178
Total loans and advances to customers, gross	**20,892,417**	**17,776,270**
Less: Provision for expected credit losses	(1,637,365)	(891,212)
Total loans and advances to customers	**19,255,052**	**16,885,058**

The table below summarizes the carrying value of loans and advances to customers analysed by type of collateral obtained by the Group:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Unsecured loans:	712,291	1,084,412
Loans collateralised by pledge of:		
Real estate	16,192,143	13,306,833
Guarantees of third parties	1,903,886	1,587,225
Vehicles	763,528	825,520
Equipment	528,640	427,707
Insurance policies	663,760	538,652
Inventories	109,284	2,458
Cash deposit	290	2,167
Other	18,595	1,296
Total loans and advances to customers, gross	**20,892,417**	**17,776,270**
Less: Provision for expected credit losses	(1,637,365)	(891,212)
Total loans and advances to customers	**19,255,052**	**16,885,058**

Guarantees of third parties were not considered in computation of discounted cash flows in calculation of allowance for impairment of loans and advances to customers, except Government provided guarantees or major companies with international credit ratings.

The table below summarizes the carrying value of the credit impaired loans and advances to customers (Stage 3) analysed by type of collateral obtained by the Group:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Unsecured loans:	146,663	74,010
Loans collateralised by pledge of:		
Real estate	2,212,731	1,262,305
Guarantees of third parties	581,605	282,533
Vehicles	230,185	164,613
Insurance policies	176,138	113,625
Equipment and inventory	175,915	40,479
Cash deposit	28	355
Other	12	258
Total Stage 3 (Lifetime ECL) loans and advances to customers, gross	**3,523,277**	**1,938,178**
Less: Provision for expected credit losses	(1,163,586)	(680,964)
Total Stage 3 (Lifetime ECL) loans and advances to customers	**2,359,691**	**1,257,214**

Analysis of credit quality of loans and advances to customers outstanding as at 31 December 2022 is as follows:

In millions of Uzbekistan Soums	**Mortgages under the Program**	**Loans to legal entities**	**Loans to individuals**	**Net investment in financial lease**	**Total**
Collectively assessed					
Stage 1 (12-month ECL)					
Not past due	4,432,826	5,613,489	3,652,928	89,609	13,788,852
up to 30 days	660,031	222,597	282,118	3,734	1,168,480
Total collectively assessed stage 1 (12-month ECL), gross	**5,092,857**	**5,836,086**	**3,935,046**	**93,343**	**14,957,332**
Stage 2 (Lifetime ECL)					
Not past due	84,297	1,009,804	70,763	939	1,165,803
up to 30 days	35,343	46,814	36,036	-	118,193
31 to 60 days	259,675	374,630	134,998	-	769,303
61 to 90 days	115,969	206,767	35,773	-	358,509
Total collectively assessed stage 2 (Lifetime ECL), gross	**495,284**	**1,638,015**	**277,570**	**939**	**2,411,808**
Stage 3 (Lifetime ECL)					
Not past due	2,282	151,161	23,448	5	176,896
up to 30 days	-	11,241	2,228	-	13,469
31 to 60 days	317	8,575	7,997	-	16,889
61 to 90 days	308	8,656	5,013	-	13,977
91 to 180 days	147,115	384,626	86,458	3,978	622,177
Over 180 days	159,917	850,970	137,650	3,753	1,152,290
Total collectively assessed stage 3 (Lifetime ECL), gross	**309,939**	**1,415,229**	**262,794**	**7,736**	**1,995,698**
Total collectively assessed, gross	**5,898,080**	**8,889,330**	**4,475,410**	**102,018**	**19,364,838**
Individually impaired					
Stage 3 (Lifetime ECL)					
Not past due	-	1,259,761	-	-	1,259,761
up to 30 days	-	14,947	-	-	14,947
31 to 60 days	-	20,859	-	-	20,859
61 to 90 days	-	20,962	-	-	20,962
91 to 180 days	-	43,523	-	-	43,523
Over 180 days	-	167,527	-	-	167,527
Total individually impaired stage 3 (Lifetime ECL), gross	**-**	**1,527,579**	**-**	**-**	**1,527,579**
Total loans and advances to customers, gross	**5,898,080**	**10,416,909**	**4,475,410**	**102,018**	**20,892,417**
Provision for expected credit losses assessed on a collective basis stage 1 (12-month ECL)	(23,946)	(145,687)	(28,428)	(1,964)	(200,025)
Provision for expected credit losses assessed on a collective basis stage 2 (Lifetime ECL)	(29,335)	(223,174)	(21,099)	(146)	(273,754)
Provision for expected credit losses assessed on a collective basis stage 3 (Lifetime ECL)	(72,767)	(821,124)	(78,927)	(5,482)	(978,300)
Provision for expected credit losses determined on an individual basis stage 3 (Lifetime ECL)	-	(185,286)	-	-	(185,286)
Total provision for expected credit losses	**(126,048)**	**(1,375,271)**	**(128,454)**	**(7,592)**	**(1,637,365)**
Total loans and advances to customers	**5,772,032**	**9,041,638**	**4,346,956**	**94,426**	**19,255,052**

As at 31 December 2022, loans to legal entities include restructured loans during 2022 in the amount of UZS 2,205,646 million (31 December 2021: UZS 6,119,856 million).

Analysis of credit quality of loans and advances to customers outstanding as at 31 December 2021 is as follows:

In millions of Uzbekistan Soums	**Mortgages under the Program**	**Loans to legal entities**	**Loans to individuals**	**Net investment in financial lease**	**Total**
Collectively assessed					
Stage 1 (12-month ECL)					
Not past due	4,789,541	6,276,737	2,256,678	82,738	13,405,694
up to 30 days	619,430	293,005	189,639	399	1,102,473
Total collectively assessed stage 1 (12-month ECL), gross	**5,408,971**	**6,569,742**	**2,446,317**	**83,137**	**14,508,167**
Stage 2 (Lifetime ECL)					
Not past due	176,345	173,606	79,243	7	429,201
up to 30 days	51,512	41,835	15,231	-	108,578
31 to 60 days	237,886	212,961	51,352	-	502,199
61 to 90 days	113,854	148,045	28,048	-	289,947
Total collectively assessed stage 2 (Lifetime ECL), gross	**579,597**	**576,447**	**173,874**	**7**	**1,329,925**
Stage 3 (Lifetime ECL)					
Not past due	11,520	191,957	27,460	-	230,937
up to 30 days	4,184	12,382	128	-	16,694
31 to 60 days	1,539	6,523	520	-	8,582
61 to 90 days	1,095	51,232	196	-	52,523
91 to 180 days	139,914	256,315	63,963	2,690	462,882
Over 180 days	67,814	361,630	137,322	3,259	570,025
Total collectively assessed stage 3 (Lifetime ECL), gross	**226,066**	**880,039**	**229,589**	**5,949**	**1,341,643**
Total collectively assessed, gross	**6,214,634**	**8,026,228**	**2,849,780**	**89,093**	**17,179,735**
Individually impaired					
Stage 3 (Lifetime ECL)					
Not past due	-	225,056	-	-	225,056
up to 30 days	-	1,056	-	-	1,056
31 to 60 days	-	8,937	-	-	8,937
61 to 90 days	-	27,289	-	-	27,289
91 to 180 days	-	173,086	-	-	173,086
Over 180 days	-	161,111	-	-	161,111
Total individually impaired stage 3 (Lifetime ECL), gross	**-**	**596,535**	**-**	**-**	**596,535**
Total loans and advances to customers, gross	**6,214,634**	**8,622,763**	**2,849,780**	**89,093**	**17,776,270**
Allowance for expected credit losses assessed on a collective basis stage 1 (12-month ECL)	(11,422)	(118,255)	(14,022)	(1,350)	(145,049)
Allowance for expected credit losses assessed on a collective basis stage 2 (Lifetime ECL)	(17,215)	(40,160)	(7,824)	-	(65,199)
Allowance for expected credit losses assessed on a collective basis stage 3 (Lifetime ECL)	(38,445)	(429,758)	(70,522)	(5,450)	(544,175)
Allowance for expected credit losses determined on an individual basis stage 3 (Lifetime ECL)	-	(136,789)	-	-	(136,789)
Total allowance for expected credit losses	**(67,082)**	**(724,962)**	**(92,368)**	**(6,800)**	**(891,212)**
Total loans and advances to customers	**6,147,552**	**7,897,801**	**2,757,412**	**82,293**	**16,885,058**

The components of net investment in finance lease receivables are as follows:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Amounts receivable under finance leases		
Less than one year	48,893	47,355
Year 1	31,059	34,227
Year 2	21,305	20,302
Year 3	17,446	14,902
Year 4	15,057	2,172
Year 5	12,709	-
Onwards	3,774	-
Minimum lease payments	150,243	118,958
Less: unearned finance income	(48,225)	(29,865)
Net investment in finance lease (before impairment)	**102,018**	**89,093**
Recoverable within 12 months	-	32,728
Recoverable after 12 months	102,018	56,365
Net investment in finance lease (before impairment)	**102,018**	**89,093**
Less: Provision for expected credit losses	(7,592)	(6,800)
Net investment in finance lease	**94,426**	**82,293**

Net investment in finance lease is collateralised by the equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted as at 31 December 2022 and 2021 is approximately 20.94% and 21.87% per annum, respectively.

9. Investment securities measured at amortised cost

In millions of Uzbekistan Soums	**Currency**	**Annual coupon/ interest rate %**	**Maturity date month/year**	**31 December 2022**	**31 December 2021**
CBU Bonds	UZS	14%	Jan-Feb 2023	193,817	312,993
Government bonds	UZS	15%	Jan 2023-Jul 2032	1,060,695	476,350
Corporate bonds	UZS	18%	Jun 2027	-	2,037
Total investment securities measured at amortised cost, gross				**1,254,512**	**791,380**
Less: Provision for expected credit losses				(7,842)	(3,828)
Total investment securities measured at amortised cost				**1,246,670**	**787,552**

As at 31 December 2022, government bonds from the Ministry of Finance of the Republic of Uzbekistan and CBU Bonds include a gross amount of UZS 896,625 million and UZS 193,817 million purchased in 2022, respectively.

As at 31 December 2021, government bonds from the Ministry of Finance of the Republic of Uzbekistan and CBU Bonds include a gross amount of UZS 475,334 million and UZS 315,463 million purchased in 2021, respectively.

For the balances with CBU and the Ministry of Finance, the quality categories are determined based on Moody's sovereign rating B1 positive (as at 31 December 2021: B1 positive).

10. Financial Assets at Fair Value Through Other Comprehensive Income

In millions of Uzbekistan Soums	**Type of financial instrument**	**Share in %**	**31 December 2022**	**31 December 2021**
JSC "Uzbekistan Mortgage Refinancing Company"	equity instruments	10%	13,003	11,411
JSC "O"ZBEKISTON POCHTASI"	equity instruments	2.93%	3,806	3,052
JSC "O'zagrolizing"	equity instruments	0.20%	162	106
Others	equity instruments	3.23 - 9.87%	4,313	1,356
Total financial assets at fair value through other comprehensive income			**21,284**	**15,925**

In October 2022, the Group acquired additional 1,222,270 shares of the JSC Uzbek Mortgage Refinancing Company with a par value of UZS 1,000 for UZS 1,222 million.

11. Property, Equipment and Intangible Assets

In millions of Uzbekistan Soums	**Buildings and Premises**	**Office and computer equipment**	**Construction in progress**	**Total Property and equipment**	**Intangible assets**	**Total**
At cost						
31 December 2020	**149,670**	**143,416**	**75,203**	**368,289**	**7,900**	**376,189**
Additions	-	53,413	22,908	76,321	-	76,321
Transfers	65,258	4,687	(71,218)	(1,273)	1,273	-
Disposals	(587)	(10,882)	(265)	(11,734)	(424)	(12,158)
31 December 2021	**214,341**	**190,634**	**26,628**	**431,603**	**8,749**	**440,352**
Additions	-	53,929	31,392	**85,321**	17,428	**102,749**
Transfers	11,391	(3,648)	(13,111)	**(5,368)**	5,368	**-**
Disposals	(201)	(1,481)	-	**(1,682)**	(446)	**(2,128)**
Reclassification as non-current assets held for sale (Note 13)	-	(1,898)	-	**(1,898)**	-	**(1,898)**
31 December 2022	**225,531**	**237,536**	**44,909**	**507,976**	**31,099**	**539,075**
Accumulated depreciation						
31 December 2020	**20,881**	**60,096**	**-**	**80,977**	**4,019**	**84,996**
Charge for the year (Note 26)	5,824	27,518	-	33,342	2,005	35,347
Transfers	52	(52)	-	-	-	-
Disposals	(213)	(8,280)	-	(8,493)	(391)	(8,884)
31 December 2021	**26,544**	**79,282**	**-**	**105,826**	**5,633**	**111,459**
Charge for the year (Note 26)	11,068	43,077	-	54,145	2,632	56,777
Transfers	-	-	-	-	-	-
Disposals	(194)	(362)	-	(556)	17	(539)
31 December 2022	**37,418**	**121,997**	**-**	**159,415**	**8,282**	**167,697**
Net book value						
31 December 2020	**128,789**	**83,320**	**75,203**	**287,312**	**3,881**	**291,193**
31 December 2021	**187,797**	**111,352**	**26,628**	**325,777**	**3,116**	**328,893**
31 December 2022	**188,113**	**115,539**	**44,909**	**348,561**	**22,817**	**371,378**

Intangible assets comprise software licenses acquired for conducting its operations.

A significant part of construction in progress balances in the total amount of UZS 43,456 million is represented by 4 branch buildings as follows comprising:

- Tashkent branch;
- Navoiy branch;
- Fergana branch;
- Jizzakh branch.

Upon completion these assets will be transferred to buildings and premises.

Additions of Office and computer equipment mainly comprise Automated Deposit Machines and Banknote machines in the amount of UZS 30,819 million and UZS 5,018 million, respectively.

As at 31 December 2022 and 2021, fully depreciated assets amounted to UZS 35,870 million and UZS 20,809 million, respectively.

As at 31 December 2022 and 2021, the Group did not pledge premises, equipment and intangible assets as collateral.

12. Other Assets

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Other financial assets		
Commissions receivable from customers	12,841	3,119
Receivables on post-financing arrangements	2,530	12,100
Receivables on money transfers	1,975	6,678
Receivable from employees	174	145
Other receivables	468	2,129
Total other financial assets, gross	**17,988**	**24,171**
Less: Provision for expected credit losses	(3,122)	(9,194)
Total other financial assets	**14,866**	**14,977**
Other non-financial assets:		
Prepayments	18,851	9,627
Prepayment for construction services	1,435	2,531
Repossessed collateral	-	46,221
Insurance assets (Note 13)	-	841
Other	752	1,124
Total other non-financial assets	**21,038**	**60,344**
Total other assets	**35,904**	**75,321**

The balance of receivables on post-financing arrangements represents receivables from customers for the letter of credits issued on the basis of post-financing with the effective commencement date at the reporting date.

As at 31 December 2022 and 2021, the prepayment for the construction services comprises prepayment for the construction of the branches of the Bank for renovation purposes.

As at 31 December 2021, repossessed collateral comprises buildings and equipment with a carrying value of UZS 46,221 million obtained from two loans issued to customers that have been impaired. The loans values before the default amounted to UZS 73,580 million.

Analysis by credit quality of other financial assets is as follows:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Stage 2 (Lifetime ECL)	13,873	14,528
Stage 3 (Lifetime ECL)	4,115	9,643
Total other financial assets, gross	**17,988**	**24,171**
Less: Provision for expected credit losses	(3,122)	(9,194)
Total other financial assets	**14,866**	**14,977**

As at 31 December 2022 and 2021, other financial assets in stage 3 comprising only the receivables on post-financing arrangements, are fully collateralised by equipment.

The analysis by credit quality of other financial assets outstanding at 31 December 2022 is as follows:

In millions of Uzbekistan Soums	**Commissions receivable from customers**	**Receivables on post-financing arrangements**	**Receivables on money transfers**	**Receivable from employees**	**Other receivables**	**Total**
Collectively assessed						
Stage 2 (Lifetime ECL)						
Not past due	9,850	-	-	2	-	9,852
up to 30 days	805	-	1,975	44	468	3,292
31 to 60 days	130	-	-	125	-	255
61 to 90 days	474	-	-	-	-	474
Total collectively assessed stage 2 (Lifetime ECL), gross	**11,259**	**-**	**1,975**	**171**	**468**	**13,873**
Stage 3 (Lifetime ECL)						
91 to 180 days	766	2,530	-	-	-	3,296
Over 180 days	816	-	-	3	-	819
Total collectively assessed stage 3 (Lifetime ECL), gross	**1,582**	**2,530**	**-**	**3**	**-**	**4,115**
Total other financial assets, gross	**12,841**	**2,530**	**1,975**	**174**	**468**	**17,988**
Provision for expected credit losses assessed on a collective basis stage 2 (Lifetime ECL)	(619)	-	(123)	(6)	(25)	(773)
Provision for expected credit losses assessed on a collective basis stage 3 (Lifetime ECL)	(518)	(1,830)	-	(1)	-	(2,349)
Total provision for expected credit losses	**(1,137)**	**(1,830)**	**(123)**	**(7)**	**(25)**	**(3,122)**
Total other financial assets	**11,704**	**700**	**1,852**	**167**	**443**	**14,866**

The analysis by credit quality of other financial assets outstanding at 31 December 2021 is as follows:

In millions of Uzbekistan Soums	**Receivables on post-financing arrangements**	**Receivables on money transfers**	**Commissions receivable from customers**	**Receivable from employees**	**Other receivables**	**Total**
Collectively assessed						
Stage 2 (Lifetime ECL)						
Not past due	-	6,678	-	-	1,115	7,793
up to 30 days	423	-	2,479	13	788	3,703
31 to 60 days	421	-	35	2	4	462
61 to 90 days	2,291	-	135	130	14	2,570
Total collectively assessed stage 2 (Lifetime ECL), gross	**3,135**	**6,678**	**2,649**	**145**	**1,921**	**14,528**
Stage 3 (Lifetime ECL)						
91 to 180 days	8,965	-	119	-	-	9,084
Over 180 days	-	-	351	-	208	559
Total collectively assessed stage 3 (Lifetime ECL), gross	**8,965**	**-**	**470**	**-**	**208**	**9,643**
Total other financial assets, gross	**12,100**	**6,678**	**3,119**	**145**	**2,129**	**24,171**
Allowance for expected credit losses assessed on a collective basis stage 2 (Lifetime ECL)	(236)	(9)	(385)	(21)	(277)	(928)
Allowance for expected credit losses assessed on a collective basis stage 3 (Lifetime ECL)	(8,060)	-	(168)	-	(38)	(8,266)
Total allowance for expected credit losses	**(8,296)**	**(9)**	**(553)**	**(21)**	**(315)**	**(9,194)**
Total other financial assets	**3,804**	**6,669**	**2,566**	**124**	**1,814**	**14,977**

The primary factors that the Group considers in determining whether a receivable is impaired are its overdue status and realisability of related collateral, if any. As a result, the Group presents above an ageing analysis of receivables that are collectively assessed and individually determined to be impaired.

13. Assets classified as held for sale

On November 2022, the Group approved the plan to sell its subsidiary JSC "Perfect Insurance". As at 31 December 2022, the Group actively marketed in different local market platforms and classified related assets and liabilities as Assets classified as held for sale. The Group recognised lower carrying amount and fair value less costs to selling as follows:

In millions of Uzbekistan Soums	**31 December 2022**
Non-current assets	
Property and equipment	1,898
Due from other banks	6,500
Investment securities measured at amortised cost	2,050
Total non-current assets	**10,448**
Current assets	
Cash and cash equivalents	595
Placements with other banks with original maturities of less than three months	51,059
Reinsurance unearned premium reserve	*669*
Reinsurance reserves for incurred but not reported losses	*185*
Other current assets	533
Total current assets	**53,041**
Total assets of subsidiary insurance business classified as held for sale	**63,489**
Non-current liabilities	
Unearned premium reserve	*22,086*
Reserves for incurred but not reported losses	*2,247*
Reported but not settled	*1,536*
Total non-current liabilities	**25,869**
Current liabilities	
Other current liabilities	412
Total current liabilities	**412**
Total liabilities directly associated with assets classified as held for sale	**26,281**
Net assets of subsidiary insurance business classified as held for sale	**37,208**

In millions of Uzbekistan Soums	**Insurance assets**	**Insurance liabilities**	**Change in insurance reserves, net**
31 December 2021	**841**	**15,492**	**(14,651)**
Unearned premium reserve	(92)	7,111	**(7,203)**
Reserves for incurred but not reported losses	105	1,730	**(1,625)**
Reported but not settled	-	1,536	**(1,536)**
31 December 2022	**854**	**25,869**	**(25,015)**

As at 31 December 2022, no impairment arose due to the classification of the subsidiary's net assets as assets classified held for sale.

Subsequent to the reporting date, the Group sold its subsidiary in the amount of UZS 51,597 million as disclosed in Note 35.

14. Due to Other Banks

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Short term placements of other banks	1,696,845	501,682
Long term placements of other banks	595,490	900,280
Total due to other banks	**2,292,335**	**1,401,962**

As at 31 December 2022, term deposits in the amount of UZS 398,723 million were provided by 2 domestic banks (31 December 2021: UZS 946,504 million – 10 domestic banks), and UZS 1,858,979 million were provided by 2 Russian banks (31 December 2021: UZS 411,831 million – 1 Russian bank).

15. Customer Accounts

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
State and public organizations		
- Current/settlement accounts	500,974	338,110
- Term deposits	1,551,353	1,586,501
Other legal entities		
- Current/settlement accounts	571,007	650,239
- Term deposits	686,123	550,224
Individuals		
- Current/settlement accounts	289,652	196,154
- Term deposits	1,312,607	847,900
Total customer accounts	**4,911,716**	**4,169,128**

Economic sector concentration is as follows:

	31 December 2022		**31 December 2021**	
In millions of Uzbekistan Soums	**Amount**	**%**	**Amount**	**%**
Analysis by economic sector/customer type:				
State and public organisations	2,052,327	43	1,924,611	47
Individuals	1,602,259	33	1,044,054	25
Finance sector	514,638	10	455,619	11
Construction	366,761	7	380,394	9
Manufacturing	123,099	3	144,350	3
Services	105,338	2	81,996	2
Trade	117,115	2	90,682	2
Agriculture	14,534	-	19,701	-
Transport and communication	13,924	-	27,505	1
Others	1,721	-	216	-
Total customer accounts	**4,911,716**	**100**	**4,169,128**	**100**

At 31 December 2022 and 2021, the Group had 10 customers with the total balance of UZS 1,920,226 million and UZS 1,980,244 million, respectively.

As at 31 December 2022 and 2021, customer accounts amounting to UZS 2,548 million and UZS 14,719 million, respectively, were used as collateral for letters of credit and other similar products issued by the Group disclosed in Note 32.

16. Borrowings from Government and International Financial Institutions

In millions of Uzbekistan Soums	**Currency**	**Nominal interest rate**	**31 December 2022**	**31 December 2021**
Ministry of Finance of the Republic of Uzbekistan (MOF)	USD, UZS	0-13%	5,311,492	3,832,651
Asian Development Bank (ADB) via MOF	USD, UZS	3-15% (CBU rate)	1,942,219	2,054,284
Islamic Development Bank via MOF	UZS	3-4%	1,797,670	1,606,830
International Bank of Reconstruction and Development (IBRD) via MOF	USD, UZS	1.19-14%	1,378,252	1,031,594
Uzbekistan Fund for Reconstruction and Development (UFRD)	USD, UZS	2-10%	643,619	615,120
Saudi Fund for Development via MOF	UZS	4-7%	583,287	575,229
European Investment Bank via Entrepreneurship Development Agency under the Ministry of Economic Development and Poverty Reduction	USD	6.032% + SOFR 6m	333,434	-
JSC JSCB International Financial Club (IFC Bank)	USD	3.30-4.75%	312,547	309,898
Borrowings from Government	UZS	0-20%	293,492	225,833
KFW IPEX BANK	EUR	Euribor + 1.25%-3%	227,147	99,173
National Bank for Foreign Economic Activity of Uzbekistan (NBU)	UZS	10-18%	216,052	51,318
Japan International Cooperation Agency (JICA)	USD	5%	213,139	205,292
International Development Association (IDA) via MOF	USD, UZS	Libor 6 m - 4.3%, 14%	204,862	201,119
Islamic Corporation for the Development of the Private Sector (ICD)	USD	-	185,686	21,989
JSC "Uzbekistan mortgage refinancing company"	UZS	12.5-13%	175,488	130,018
International Fund for Agricultural Development (IFAD) via MOF	USD, UZS	1.9-14%	135,162	86,522
China Eximbank via NBU	USD	Libor 6 m - 4%	115,686	183,411
JSC KDB Bank Uzbekistan	USD	6.00%	102,137	108,930
French Development Agency via State Committee for Veterinary and Livestock Development	UZS	15% (CBU rate)	89,609	-
Banka Kombëtare Tregtare SH.a	USD	Libor 6 m - 4.1%	72,806	116,963
International Islamic Trade Finance Corporation (ITFC)	USD	-	60,953	-
JSCB "Asaka Bank"	UZS	3-10%	49,923	53,244
COMMERZBANK AG	EUR, USD	1.5-3.89%	47,094	59,198
JSCMB "Ipoteka Bank"	UZS	10%	40,371	43,375
JSCB "Aloqabank"	UZS	10%	38,120	39,276
JSCB "Uzbek Industrial and Construction Bank"	UZS	5-10%	32,558	41,374
JSCB "Turonbank"	UZS	10%	28,692	31,298
JSCB "Mikrokreditbank"	UZS	10%	16,895	30,294
JSC "AK BARS"	USD	4.55-4.9%	8,492	131,780
JSCB "Agrobank"	UZS	10%	5,586	5,586
International Bank for Economic Co-operation	EUR	4.3%	4,151	4,364
PJSC CREDIT BANK OF MOSCOW	USD	4.7%	-	152,500
JSC SB Alfa-Bank	USD	2.75%	-	70,880
JSC "Xalq Banki"	UZS	3%	-	11,664
Total borrowings from government and international financial institutions			**14,666,621**	**12,131,007**

As at 31 December 2022, borrowings from Ministry of Finance represented USD and UZS denominated long-term loans, maturing the earliest in July 2023, and the latest in December 2042, which are issued with interest rates ranging from 0% till 13% per annum (including interest rates ranging from 5.25% - 5.88% per annum for the USD denominated loans). The purpose of borrowed funds is the construction of residential housing units in rural areas.

Borrowings from Asian Development Bank provided through Ministry of Finance represent USD and UZS denominated long-term loans, maturing the earliest in May 2028 and the latest in May 2035, which are issued with interest rates from 3% till 15% per annum. Loans were borrowed to finance mortgages issued to individuals under Housing for Integrated Rural Development Investment Program.

Borrowings from Islamic Development Bank provided through Ministry of Finance represent long-term loan, maturing the earliest in November 2032 and the latest in October 2041, which are issued with interest rates ranging from 3%-4% per annum. Loans were borrowed with the purpose of construction of residential housing units in rural areas of Tashkent, Fergana and Samarkand regions.

Borrowings from International Bank for Reconstruction and Development provided through Ministry of Finance represent USD and UZS denominated long-term loans (which can be obtained in UZS and USD equivalents), maturing the earliest in January 2032 and the latest in October 2043, which are issued with an interest rate ranging from 2.1% till 4.5% per annum for the USD denominated loans and 14% per annum for the UZS denominated loans. Loans were borrowed to finance the development of fruits and vegetables sector in Uzbekistan.

Borrowings from Uzbekistan Fund for Reconstruction and Development represent USD and UZS denominated long-term loans, maturing the earliest in July 2023 and the latest in November 2029, which are issued with an interest rate ranging from 7% till 10% per annum for UZS denominated loans and 0% till 2.25% per annum for the USD denominated loans. Loans were borrowed to finance socially important sectors of economy such as development of family entrepreneurship and related service sector (excluding projects for the development of the financial sector and cases of replenishment of working capital in that sector).

Borrowings from Saudi Fund for Development provided through Ministry of Finance represent long-term loans, maturing the earliest in January 2033 and the latest in October 2040, which are issued with an interest rate of from 4% till 7% per annum. Loans were borrowed to finance the construction of residential housing units in rural areas.

Borrowings from European Investment Bank provided through Ministry of Finance represent USD denominated long-term loans, maturing in November 2037, which are issued with an interest rate 8.8% per annum. Loans were borrowed to finance to support businesses affected by the impact of the global coronavirus pandemic.

Borrowings from JSC JSCB International Financial Club represent USD and EUR denominated long-term loan, maturing the earliest in June 2023 and the latest in August 2023, which are issued with an interest rate of 3.3%-4.75% per annum. Loans were borrowed with the purpose of financing of trade and export-import operations of the clients.

Borrowings from government include resources of the Export Promotion Agency and the Centre for the Development of Investment Projects under the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan, as well as other state funds and institutions represent UZS and USD denominated long-term loans, maturing the earlies in earlies in December 2023 and the latest in October 2029, which are issued with an interest rate ranging from 3% till 20% per annum for UZS denominated loans and 2% per annum for the USD denominated loans. Loans were borrowed to support stimulate the development of economic and social sectors of Uzbekistan.

Borrowings from Japan International Cooperation Agency (JICA) represent USD denominated long-term loans, maturing in December 2044, which are issued with an interest rate of 5% per annum. Loans were borrowed with the purpose of financing the rural sector of Uzbekistan.

Borrowings from International Development Association represent UZS and USD denominated long-term loans, maturing the earliest in August 2029 and the latest in May 2037, which are issued with an interest rate ranging from six-month LIBOR to 15% per annum. Loans were borrowed to finance the development of the fruits and vegetable industry in Uzbekistan.

Borrowings from the China Export-Import Bank represent USD denominated long-term loans, maturing in December 2023, which are issued with an interest rate ranging from six months LIBOR to 4% per annum. Loans were borrowed with the purpose of purchasing of equipment and technologies from People's Republic of China.

Borrowings from JSC Bars Bank represent USD denominated long-term loans, maturing earliest in February 2023 and the latest in December 2023, which are issued with an interest rate of 4.5% per annum. Loans were borrowed with the purpose of financing of a specific import/post-import and export/pre-export transaction operations of the clients.

Borrowings from JSC Uzbekistan mortgage refinancing company represent UZS denominated long-term loans, maturing the earliest in October 2038 and the latest in November 2039, which are issued with interest rates ranging from 12.5% till 13% per annum. The purpose of borrowed funds is to finance and refinance eligible mortgage loans in Uzbekistan.

Borrowings from French Development Agency provided through State Veterinary Committee represent UZS denominated long-term loans, maturing in April 2032, which are issued with an interest rate 15% per annum. Loans were borrowed to finance to finance the agricultural sector of the Republic of Uzbekistan.

Borrowings from Banka Kombëtare Tregtare SH.a represent USD denominated long-term loans, maturing in January 2024, which are issued with an interest rate ranging from six month LIBOR to 4.1% per annum.

Borrowings from JSC KDB Bank Uzbekistan represent USD denominated long-term loans, maturing in October 2025, which are issued with an interest rate of 6% per annum. Loans were borrowed with the purpose of financing of small businesses in Uzbekistan.

Borrowing from KFW IPEX BANK represent EUR denominated long-term loan, maturing earliest in June 2030 and the latest in December 2032, which are issued with an interest rate of 1.25%-3.6% per annum. Loan was borrowed with the purpose of financing the supply of goods under export contracts

Borrowings from International Fund for Agricultural Development (IFAD) provided through Ministry of Finance represent UZS and USD denominated long-term loans, maturing the earliest in September 2034 and the latest in June 2044, which are issued with an interest rate ranging from 2.5% till 3.5% for the USD denominated loans and 15% per annum for the UZS denominated loans. Loans were borrowed to finance supply of goods under export contracts.

Borrowings from COMMERZBANK AG represent EUR and USD denominated long-term loans, maturing earliest in November 2023 and the latest in December 2032, which are issued with an interest rate of 1.5-6.8% per annum. Loans were borrowed with the purpose of partial financing of export contracts which are made for the deliveries made / services rendered by companies from the Federal Republic of Germany or other OECD countries.

Borrowings from The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan, JSCMB Ipoteka Bank, JSCB Aloqabank, JSCB Agrobank and JSCB Turonbank represent UZS denominated long-term loans, maturing the earliest October 2025 and the latest in July 2027, which are issued with the interest rate of 10-18% per annum. Loans were borrowed with the purpose of development of the service sector in Uzbekistan.

Borrowings from JSCB Asaka Bank, JSCB Mikrokreditbank represent UZS denominated long-term loans, maturing the earliest in November 2023 and the latest in April 2039, which are issued with the interest rate ranging from 3% till 10% per annum. Loans were borrowed with the purpose of development of the service sector, poultry farming and support women with low-income.

Borrowings from JSCB Uzbek Industrial and Construction Bank represent UZS denominated long-term loans, maturing the earliest in June 2027 and the latest in June 2028, which are issued with the interest rate ranging 10% per annum. Loans were borrowed with the purpose of development of the service sector and support "Each family entrepreneur" program.

Borrowings from JSCB Mikrokreditbank represent UZS denominated long-term loan, maturing with the earliest September 2023 and the latest July 2027, which are issued with the interest rate of 10% per annum. Loans were borrowed with the purpose of development of the service sector and poultry in rural regions of Uzbekistan.

As at 31 December 2022, the Group was not in compliance with certain financial covenants stipulated in the following loan agreements where the Group is obliged to comply with the financial covenants in relation to the funds borrowed:

- Borrowings from the Islamic Corporation for the Development of the Private Sector (ICD). As a result of the non-compliance, the Group recognised liability in the amount of equivalent to UZS 185,686 million to ICD within the Borrowings from government and international financial institutions. The Group was in financial covenant breach of a maximum ratio of the value of non-performing loans to the total value of loans outstanding (NPLs ratio).
- Borrowings from Asian Development Bank provided through the Ministry of Finance represent long-term loans for the total amount of equivalent to UZS 1,615,911 million maturing on August 2029, June 2030 and May 2035 which are issued with interest rates from 3% to 14% under the Subsidiary Loan Agreements 2775-UZB dated 16 February 2012, 3535-UZB dated 17 July 2017 and L3823-UZB (COL) dated 13 November 2019, respectively. The Group was in financial covenants breach of a return on average assets ratio, a maximum ratio of the value of non-performing loans to the total value of loans outstanding (NPLs ratio).
- Borrowings from International Fund for Agricultural Development (IFAD) under the general agreement signed among the Bank, IFAD and MOF in the total amount of equivalent to UZS 110,378 million. The Group was in financial covenants breach of a maximum ratio of the value of non-performing loans to the total value of loans outstanding (NPLs ratio).
- Borrowings from Kombëtare Tregtare SH.a provided through Ministry of Finance represent long-term loan for the total amount of equivalent to UZS 72,806 million, maturing in January 2024, which are issued with an interest rate ranging from six-month LIBOR to 4.1% per annum. The Group was in covenant breach of a maximum ratio of the value of non-performing loans to the total value of loans outstanding (NPLs ratio).
- Non-compliance has triggered cross default clauses stipulated in the credit facility agreement signed between the Bank and KFW IPEX BANK in the amount of equivalent to UZS 227,147 million. Under this credit facility agreement cross default events also give KFW IPEX BANK the right to demand prepayment of the loan advanced to the Bank.

As at 31 December 2022, in accordance with IFRS, the Group classified the long-term borrowings including their accrued interest from these financial institutions as "Up to 1 month" in the total amount of equivalent to UZS 2,211,928 million.

The Bank is proactively communicating with all above mentioned financial institutions and Ministry of Finance and establishing a strategic action plan in relation to financial years 2021-2025 with a view of ensuring compliance with the covenants in the future.

In November 2022, ITFC provided a waiver letter related to the breach of NPL ratio which effective for 30 June 2022 and 31 December 2022.

The Bank is proactively communicating with other financial institutions in order to obtain waiver letters and agree action plan for future cooperation.

The Group believes that the non-compliance with the abovementioned financial covenants is not expected to adversely affect the financial condition and results of the Group (Note 3).

17. Debt Securities in Issue

In millions of Uzbekistan Soums	**Maturity**	**Nominal interest rate**	**31 December 2022**	**31 December 2021**
Certificates of deposit	2023 - 2024	CBU refinancing rate+1%-CBU refinancing rate+4%	104,498	94,456
Total debt securities in issue			**104,498**	**94,456**

18. Other Liabilities

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Other financial liabilities:		
Trade payables for goods and services received	6,876	6,303
Security Deposits on money transfers	6,511	-
Payable to "Guarantee fund of deposits of individuals"	3,701	-
Dividends payable	38	33
Other	319	831
Total other financial liabilities	**17,445**	**7,167**
Other non-financial liabilities:		
Taxes other than income tax payable	14,080	3,597
Accrued employee benefit costs	13,031	2,222
Provision for credit related commitments	3,604	4,461
Obligatory payable to pension and other funds	1,569	7,097
Unearned Income	399	1,689
Insurance liabilities (Note 13)	-	15,492
Other	818	348
Total other non-financial liabilities	**33,501**	**34,906**
Total other liabilities	**50,946**	**42,073**

19. Share Capital

	Authorised shares	**Ordinary shares**	**Preference shares**	**Total number of shares**
31 December 2020	**15,548,065,844**	**15,548,065,844**	**9,000,000**	**15,557,065,844**
31 December 2021	**15,548,065,844**	**15,548,065,844**	**9,000,000**	**15,557,065,844**
31 December 2022	**15,548,065,844**	**15,548,065,844**	**9,000,000**	**15,557,065,844**

The Group’s share capital comprises the following:

In millions of Uzbekistan Soums	**Ordinary shares**	**Preference shares**	**Share premium**	**Total**
31 December 2020	**1,857,880**	**2,007**	**942**	**1,860,829**
31 December 2021	**1,857,880**	**2,007**	**942**	**1,860,829**
31 December 2022	**1,857,880**	**2,007**	**942**	**1,860,829**

In millions of Uzbekistan Soums	Nominal registered amount	Effect of hyperinflation	Share premium	Total
Share capital	1,855,180	4,707	942	**1,860,829**

The preferred shares are not redeemable and rank ahead of the ordinary shares in the event of the Group’s liquidation. The preference shares give the holders the right to participate in general shareholders’ meetings without voting rights except in instances where decisions are made in relation to re-organization and liquidation of the Group, and where changes and amendments to the Group’s charter which restrict the rights of preference shareholders are proposed. If preference dividends are not declared by ordinary shareholders, the preference shareholders have the right to vote as ordinary shareholders until such time that the dividend is paid.

Other reserves. As at 31 December 2022 and 2021, the Group’s other reserves included the reserve for preventive measures in the amount of UZS 125 million.

Share premium represents the excess of contributions received over the nominal value of shares issued.

The movement in dividends during the period is as follows:

			2022			2021
In millions of Uzbekistan Soums	Ordinary shares	Preference shares	Total	Ordinary shares	Preference shares	Total
Dividends payable at 1 January	**33**	**-**	**33**	**158**	**-**	**158**
Dividends declared	-	268	**268**	-	268	**268**
Dividends paid	-	(263)	**(263)**	(125)	(268)	**(393)**
Dividends payable at 31 December	**33**	**5**	**38**	**33**	**-**	**33**
Dividends per share declared during the year in UZS per share	**-**	**30**	**-**	**-**	**30**	**-**

20. Net Debt Reconciliation

				Non-cash changes			
In millions of Uzbekistan Soums	1 January 2022	Net financing cash flows	Interest paid	Interest accrued (Note 21)	Off balance sheet liabilities recognised (Note 16)	Foreign exchange rate adjust-ments	31 December 2022
Borrowings from government and international financial institutions (note 16)	12,131,007	2,175,777	(816,546)	862,285	224,650	89,448	14,666,621

				Non-cash changes			
In millions of Uzbekistan Soums	1 January 2021	Net financing cash flows	Interest paid	Interest accrued (Note 21)	Off balance sheet liabilities recognised (Note 16)	Foreign exchange rate adjust-ments	31 December 2021
Borrowings from government and international financial institutions (Note 16)	9,283,058	2,727,120	(466,990)	492,543	21,989	73,287	12,131,007

21. Net Interest Income

In millions of Uzbekistan Soums	**2022**	**2021**
Interest income comprises:		
Interest on loans and advances to customers	2,417,593	1,811,971
Interest income on investment securities measured at amortised cost	154,940	64,064
Interest on balances due from other banks	37,597	24,206
Interest on cash and cash equivalents	3,325	1,476
Total interest income	**2,613,455**	**1,901,717**
Interest expense comprises:		
Interest on borrowings from government and international financial institutions	(862,285)	(492,543)
Interest on term deposits of state and other legal entities	(316,591)	(283,966)
Interest on term deposits of individuals	(193,604)	(127,019)
Interest on term deposits of other banks	(112,618)	(106,985)
Interest on debt securities in issue	(16,636)	(13,661)
Other interest expenses	(39,174)	(31,713)
Total interest expense	**(1,540,908)**	**(1,055,887)**
Net interest income	**1,072,547**	**845,830**

The total interest income and expenses calculated using the EIR method for financial assets and liabilities measured at amortized cost are the same as disclosed above. Interest income includes UZS 81,890 million (2021: UZS 77,691 million) of interest income recognized on Stage 3 loans and advances to customers.

22. Fee and Commission Income and Expense

In millions of Uzbekistan Soums	**2022**	**2021**
Fee and commission income:		
Settlements	136,203	110,681
International money transfers	34,595	13,543
Guarantees and letters of credit	13,643	9,659
SMS and internet banking	4,405	3,367
Foreign exchange operations	756	2,659
Other	2,905	1,183
Total fee and commission income	**192,507**	**141,092**
Fee and commission expense:		
Settlements	(27,637)	(18,517)
Fee and commission expenses to other banks	(9,304)	(4,364)
Cash collection services	(6,070)	(5,254)
Other	(2,911)	(461)
Total fee and commission expense	**(45,922)**	**(28,596)**
Net fee and commission income	**146,585**	**112,496**

23. Net Gain on Foreign Exchange Operations

Net gain on foreign exchange operations as follows:

In millions of Uzbekistan Soums	**2022**	**2021**
Translation differences, net	2,100	(1,457)
Dealing transactions, net	37,630	25,921
Total net gain on foreign exchange operations	**39,730**	**24,464**

24. Other Income

In millions of Uzbekistan Soums	**2022**	**2021**
Dividend income	2,335	464
Income from rental of plastic card terminals	572	979
Gain on disposal of premises and equipment	547	2,651
Other	2,339	3,153
Total other income	**5,793**	**7,247**

25. Change in insurance reserves, net

In millions of Uzbekistan Soums	**Insurance assets**	**Insurance liabilities**	**Change in insurance reserves, net**
31 December 2020	**665**	**6,451**	**(5,786)**
Unearned premium reserve	176	9,345	(9,169)
Reserves for incurred but not reported losses	-	(304)	304
31 December 2021	**841**	**15,492**	**(14,651)**
Unearned premium reserve	(92)	7,111	(7,203)
Reserves for incurred but not reported losses	105	1,730	(1,625)
Reported but not settled	-	1,536	(1,536)
31 December 2022	**854**	**25,869**	**(25,015)**

As at 31 December 2022, the Group reclassified total outstanding balances of the insurance assets and liabilities to held for sale described in detail in Note 13.

26. Operating Expenses

In millions of Uzbekistan Soums	**2022**	**2021**
Staff costs	494,927	349,926
Taxes other than income tax	65,125	8,592
Depreciation and amortisation (Note 11)	56,777	35,347
Security services	40,132	29,591
Professional services	25,994	10,558
Charity and sponsorship	23,541	11,862
Membership fees	14,054	7,746
Stationery and supplies	10,324	6,329
Repair and maintenance	9,192	11,921
Business trip and travel expenses	6,575	4,353
Rent expenses	3,398	2,552
Utilities	3,331	3,339
Postage, telephone and fax	3,049	2,318
Advertising and Publicity	2,514	4,873
Fuel	1,688	1,252
Other operating expenses	26,126	11,156
Total operating expenses	**786,747**	**501,715**

Included in staff costs are statutory social security contributions of UZS 50,293 million (2021: UZS 29,716 million).

27. Income Taxes

The Group measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Uzbekistan, which may differ from IFRS.

Income tax expense comprises the following:

In millions of Uzbekistan Soums	**2022**	**2021**
Current income tax expense	94,014	69,206
Deferred tax benefit	(146,629)	(67,762)
Income tax (benefit)/expense	**(52,615)**	**1,444**
Income tax relating to the equity instruments classified as FVTOCI	**827**	**120**

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2022 and 2021 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets. The income tax rate applicable to the majority of the Group's income is 20%.

Relationships between tax expenses and accounting profit for 2022 and 2021 are explained as follows:

In millions of Uzbekistan Soums	**2022**	**2021**
IFRS (loss)/profit before tax	**(257,875)**	**14,816**
Theoretical tax (loss)/recovery at the applicable statutory rate - 20%	(51,575)	2,963
- Non-deductible expenses (employee compensation, representation and other non-deductible expenses)	9,776	12,368
- Tax law change for allowances for assets	9,768	-
- Tax exempt income	(31,853)	(13,890)
- Other permanent differences	11,303	-
- Other	(34)	3
Income tax (benefit)/expense	**(52,615)**	**1,444**
Income tax relating to the equity instruments classified as FVTOCI	827	120
Total income tax (benefit)/expense	**(51,788)**	**1,564**

According to article 304 of the Tax Code of the Republic of Uzbekistan, income from Government bonds and other government securities of the Republic of Uzbekistan, as well as income on bonds issued abroad by the Republic of Uzbekistan and legal entities of the Republic of Uzbekistan are not considered as income for taxation purposes. For the years ended 2022 and 2021, the income in the amount of UZS 154,940 million and UZS 64,064 million, respectively, derived from the purchase of bonds of the Government and CBU.

On 1 January 2022, new amendments and additions to the Republic of Uzbekistan tax code, registered 29 December 2021 #ZRU-741 became effective. In accordance with the Republic of Uzbekistan tax code, banks and legal entities that carry out certain types of banking operations on the basis of a license to conduct banking operations, as well as insurance organizations, create reserve funds or general allowances for assets in accordance with the requirements of the law. The deductions to reserve funds or general allowances for assets provided for by the above article by banks are charged to expenses in the manner prescribed by law, in the amount of not more than 80 percent of the norm established by law.

Temporary differences as at 31 December 2022 and 2021 comprise:

In millions of Uzbekistan Soums	**31 December 2022**	**Debited to Other comprehensive income**	**(Debited)/ credited to profit or loss**	**31 December 2021**	**Debited to Other comprehensive income**	**(Debited)/ credited to profit or loss**	**31 December 2020**
Tax effect of deductible/(taxable) temporary differences							
Cash and cash equivalents	485	-	485	-	-	(6)	6
Due from other banks	496	-	(238)	734	-	(812)	1,546
Loans and advances to customers	287,080	-	148,176	138,904	-	71,063	67,841
Investment securities measured at amortised cost	2,214	-	464	1,750	-	1,452	298
Financial assets at fair value through other comprehensive income	(947)	(827)	-	(120)	(120)	-	-
Property and equipment	603	-	25	578	-	99	479
Intangible assets	65	-	58	7	-	(1)	8
Other assets	294	-	(5,488)	5,782	-	470	5,312
Other liabilities	4,377	-	3,159	1,218	-	(5,305)	6,523
Borrowings from government and international financial institutions	(1,507)	-	(12)	(1,495)	-	802	(2,297)
Net deferred income tax asset	**293,160**	**(827)**	**146,629**	**147,358**	**(120)**	**67,762**	**79,716**
Recognised deferred tax asset	294,107	-	152,272	148,973	-	73,410	82,013
Recognised deferred tax liability	(947)	(827)	(5,643)	(1,615)	(120)	(5,648)	(2,297)
Net deferred income tax asset	**293,160**	**(827)**	**146,629**	**147,358**	**(120)**	**67,762**	**79,716**

28. Earnings per Shares

Basic earnings per share are calculated by dividing the profit or loss attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

In millions of Uzbekistan Soums	**2022**	**2021**
Profit for the year attributable to preference shares	268	268
(Loss)/profit for the year attributable to ordinary shareholders	(205,528)	13,104
(Loss)/profit for the year attributable to the owners	**(205,260)**	**13,372**
Weighted average number of preference shares in issue (millions)	9	9
Weighted average number of ordinary shares in issue (millions)	15,024	15,024
Basic and diluted (loss)/profit per ordinary share (expressed in UZS per share)	**(14)**	**1**

During 2022 and 2021, the Bank declared required dividends for the preferred shares for UZS 268 million based on unaudited statutory financial statements.

29. Segment Reporting

The Group's operations are single reportable segment.

The Group provides mainly banking services in the Republic of Uzbekistan. The Group identifies the segment in accordance with the criteria set in IFRS 8 "Operating Segments" and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The chief operating decision-maker ("CODM") has been determined as the Group's Chairman of the Management Board. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The Management has determined a single operating segment being banking services based on these internal reports.

30. Financial Risk Management

The risk management function is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate risks), operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

Risk management activities of the Group are carried out in accordance with requirements of CBU on risk management and corporate governance in commercial banks, basic principles and recommendations of Basel banking oversight committee, as well as internal Policies of the Group on risk management and limits.

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has determined risk management goals and objectives, principles and organization, as well as participants of risk management process, their authority and responsibilities. The level of authority, rights and competence are determined and regulated by Policies on Risk management and Limits, Regulations on Risk oversight committee, Credit committee, Investment committee and Assets and Liabilities Management Committee, Regulations on branches, and other internal regulatory documents of the Group. The Group uses above mentioned concepts in managing the following risks.

Credit risk. Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of the Group's internal credit rating system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Clients of the Group are segmented into five rating classes. The Group’s rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

Group’s internal ratings scale:

Standard	1	Timely repayment of “standard” loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When assessing the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Sub-standard	2	As a whole, the financial position of a borrower is stable, but some unfavourable circumstances or tendencies are present, which, if not disposed of, raise some doubts about the borrower’s ability to repay on time. “Standard” loans with insufficient information in the credit file or missing information on collateral could be also classified as “Substandard” loans.
Unsatisfactory	3	“Unsatisfactory” loans have obvious shortcomings, which make doubtful the repayment of the loan under the terms, envisaged by the initial agreement. For loans classified as “Unsatisfactory”, the primary source of repayment is not sufficient and the Bank has to seek additional loan repayment sources, such as the sale of collateral.
Doubtful	4	“Doubtful” are loans which, in addition to having the characteristics of “Unsatisfactory” loans, have additional shortcomings, which make it doubtful that the loan will be repaid in full under the existing circumstances. The probability of incurring loss in respect of such loans is high.
Hopeless	5	Loans classified as “hopeless” are considered uncollectible and have such a little value that their continuance as assets of the Bank is not worth. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that the Bank should cease recognising such loans and make every efforts to liquidate such debt through selling collateral or collection of the outstanding loan.

Risk limits control and mitigation policies. The Group manages, limits and controls concentrations of credit risk wherever they are identified − in particular, to individual counterparties and groups, and to industries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by Risk oversight committee.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantee. However, a significant portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Limits. The Group established a number of credit committees which are responsible for approving credit limits for individual borrowers:

- The Credit Committee of Head office reviews and approves limits over UZS 5,000 million;
- The Credit Committee of certain branches reviews and approves limits up to UZS 5,000 million;
- The Credit Committees of those branches which review and approve smaller limits have to further obtain approval of the Head office.

Loan applications, along with financial analysis of loan applicant which includes liquidity, profitability, interest coverage and debt service coverage ratios, originated by the relevant client relationship managers are passed on to the relevant credit committee or Bank Council for approval of credit limit.

(b) Collateral. The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice.

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances and finance leases are:

- real estate
- vehicles
- guarantees of third parties
- equipment
- insurance policies
- cash deposit
- inventories
- other

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(c) Concentration of risks of financial assets with credit risk exposure. The Group’s management focuses on concentration risk:

- The maximum risk to single borrower of Group of affiliated borrowers shall not exceed 25 percent of the Group’s tier 1 capital;
- The maximum risk for unsecured credits to single borrower shall not exceed 5 percent of Group’s tier 1 capital;
- Total amount of all large credits cannot exceed Group’s tier 1 capital by more than 8 times; and
- Total loan amount to related party shall not exceed Group’s tier 1 capital.

The Bank is required to prepare and submit stand-alone financial information of the Bank to CBU on a monthly basis. The consolidated financial statements are prepared under IFRS only twice in a year comprising yearly and semi-annual periods.

In order to monitor credit risk exposures, weekly reports are produced by the credit department’s officers based on a structured analysis focusing on the customer’s business and financial performance, which includes overdue balances, disbursements and repayments, outstanding balances and maturity of loan and as well as grade of loan and collateral. Any significant exposures against customers with deteriorating creditworthiness are reported to and reviewed by the management daily. Management monitors and follows up past due balances.

The Group’s policy requires the review of individual financial assets that are above certain materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of expected losses at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) individual financial assets in stage 1 and 2 that are above certain materiality thresholds, by using the available empirical data, experienced judgment and statistical techniques.

The Group monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments.

However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring.

Maximum exposure of credit risk The Group’s maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. The Group’s maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments. The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

Maximum exposure to credit risk as at 31 December 2022 is as follows:

			Related amounts not set off in the statement of financial position			
In millions of Uzbekistan Soums	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the statement of financial position**	**Net amounts of financial assets presented in the statement of financial position**	**Cash collateral**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents	2,056,353	(10,287)	2,046,066	(508,339)	-	1,537,727
Due from other banks	612,256	-	612,256	-	-	612,256
Loans and advances to customers	19,289,474	(34,422)	19,255,052	(290)	(18,542,471)	712,291
Investment securities measured at amortised cost	1,246,670	-	1,246,670	-	-	1,246,670
Financial assets at fair value through other comprehensive income	21,284	-	21,284	-	-	21,284
Other financial assets	68,664	(53,798)	14,866	-	(1,969)	12,897
Off-balance sheet items:						
Credit related commitments	284,723	-	284,723	(2,548)	(237,029)	45,146

Maximum exposure to credit risk as at 31 December 2021 is as follows:

			Related amounts not set off in the statement of financial position			
In millions of Uzbekistan Soums	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the statement of financial position**	**Net amounts of financial assets presented in the statement of financial position**	**Cash collateral**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents	1,460,196	(149,075)	1,311,121	(282,428)	-	1,028,693
Due from other banks	362,799	-	362,799	-	(58,420)	304,379
Loans and advances to customers	16,918,903	(33,845)	16,885,058	(2,167)	(15,798,479)	1,084,412
Investment securities measured at amortised cost	787,552	-	787,552	-	-	787,552
Financial assets at fair value through other comprehensive income	15,925	-	15,925	-	-	15,925
Other financial assets	48,567	(33,590)	14,977	-	-	14,977
Off-balance sheet items:						
Credit related commitments	336,853	-	336,853	(14,719)	(58,466)	263,668

Credit quality of financial assets

The tables below present information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance during the year ended 31 December 2022 and 2021:

	Cash and cash equivalents (Note 6)			Due from other banks (Note 7)			Loans and advances to customers (Note 8)			Investment securities measured at amortised cost (Note 9)	Other financial assets (Note 12)		Credit related commitments (Note 32)		Total
In millions of Uzbekistan Soums	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 3 Lifetime ECL**	
Gross carrying amount as at 31 December 2021	**1,311,122**	**-**	**-**	**360,661**	**-**	**5,808**	**14,508,167**	**1,329,925**	**1,938,178**	**791,380**	**14,528**	**9,643**	**339,484**	**1,830**	**20,610,726**
Changes in the gross carrying amount															
- Transfer from stage 1	(12,424)	12,424	-	2,530	(2,530)	-	(3,222,896)	3,222,896	-	-	-	-	-	-	-
- Transfer from stage 2	-	(12,424)	12,424	-	2,530	(2,530)	714,168	(2,657,267)	1,943,099	-	(4,082)	4,082	-	-	-
- Transfer from stage 3	-	-	-	-	-	-	-	473,652	(473,652)	-	-	-	-	-	-
- Changes in EAD*	337,441	-	(9,126)	(7,597)	-	(3,278)	(1,799,252)	197,747	340,973	-	(867)	(550)	(61,162)	-	(1,005,671)
New assets issued or acquired	663,670	-	-	393,071	-	-	6,756,244	-	-	1,090,442	17,771	-	285,476	-	9,206,674
Matured or derecognized assets (except for write off)	(275,933)	-	-	(140,890)	-	-	(2,086,835)	(187,093)	(270,366)	(627,310)	(14,344)	(9,635)	(280,843)	(1,830)	(3,895,079)
Foreign exchange differences	20,872	-	445	6,963	-	-	87,736	31,948	45,045	-	867	575	5,372	-	199,823
Gross carrying amount as at 31 December 2022	**2,044,748**	**-**	**3,743**	**614,738**	**-**	**-**	**14,957,332**	**2,411,808**	**3,523,277**	**1,254,512**	**13,873**	**4,115**	**288,327**	**-**	**25,116,473**
Loss allowance as at 31 December 2022	**(45)**	**-**	**(2,380)**	**(2,482)**	**-**	**-**	**(200,025)**	**(273,754)**	**(1,163,586)**	**(7,842)**	**(773)**	**(2,349)**	**(3,604)**	**-**	**(1,656,840)**

*The line "Changes in EAD" represents changes in the gross carrying amount of financial assets measured at amortised cost issued in prior periods which have not been fully repaid during 2022, and transfers of new issued financial assets measured at amortised cost between stages.

	Cash and cash equivalents (Note 6)			**Due from other banks (Note 7)**			**Loans and advances to customers (Note 8)**			**Investment securities measured at amortised cost (Note 9)**	**Other financial assets (Note 12)**		**Credit related commitments (Note 32)**		**Total**
In millions of Uzbekistan Soums	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 3 Lifetime ECL**	
Loss allowance for ECL as at 31 December 2021	**1**	**-**	**-**	**15**	**-**	**3,655**	**145,049**	**65,199**	**680,964**	**3,828**	**928**	**8,266**	**3,255**	**1,206**	**912,366**
Changes in the gross carrying amount															
- Transfer from stage 1	-	-	-	26	(26)	-	(48,960)	48,960	-	-	-	-	-	-	-
- Transfer from stage 2	-	-	-	-	26	(26)	73,034	(120,490)	47,456	-	(2,314)	2,314	-	-	-
- Transfer from stage 3	-	-	-	-	-	-	-	141,655	(141,655)	-	-	-	-	-	-
- Changes in EAD*	22	-	2,380	2,015	-	(3,629)	(115,779)	148,973	690,041	-	(45)	(257)	42	-	**723,763**
New assets issued or acquired	22	-	-	430	-	-	176,259	-	-	6,643	3,074	-	3,562	-	**189,990**
Matured or derecognized assets (except for write off)	-	-	-	(4)	-	-	(31,077)	(10,826)	(115,861)	(2,629)	(902)	(8,261)	(3,255)	(1,206)	**(174,021)**
Foreign exchange differences	-	-	-	-	-	-	1,499	283	2,641	-	32	287	-	-	4,742
Loss allowance for ECL as at 31 December 2022	**45**	**-**	**2,380**	**2,482**	**-**	**-**	**200,025**	**273,754**	**1,163,586**	**7,842**	**773**	**2,349**	**3,604**	**-**	**1,656,840**

*“Changes in EAD” are attributable to changes in parameters (PD, LGD), changes in EAD and adjustment of ECL due to transfer to new stages, as well as transfers of ECL on new financial assets measured at amortised cost originated during the reporting period from Stage 1 to other stages.

	Cash and cash equivalents (Note 6)	**Due from other banks (Note 7)**			**Loans and advances to customers (Note 8)**			**Investment securities measured at amortised cost (Note 9)**	**Other financial assets (Note 12)**		**Credit related commitments (Note 32)**			**Total**
In millions of Uzbekistan Soums	**Stage 1 12-month ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	
Gross carrying amount as at 31 December 2020	**1,050,066**	**409,458**	**25,191**	**-**	**12,369,252**	**333,434**	**1,165,811**	**207,613**	**5,764**	**65,061**	**522,670**	**865**	**-**	**16,155,185**
Changes in the gross carrying amount														
- Transfer from stage 1	-	(5,520)	5,520	-	(1,999,732)	1,999,732	-	-	-	-	(4,047)	4,047	-	-
- Transfer from stage 2	-		(5,808)	5,808	381,792	(1,552,281)	1,170,489	-	(10)	10	-	(4,047)	4,047	-
- Transfer from stage 3	-	-	-	-	-	389,138	(389,138)	-	5,203	(5,203)	-	-		-
- Changes in EAD*	(22,041)	33,904	(2,598)	-	(1,564,649)	185,593	186,448	-	(2,656)	(8,441)	(77,608)	-	(2,217)	
New assets issued or acquired	268,782	224,530	-	-	6,706,421	-	-	584,793	11,214	8,433	308,032	-	-	8,112,205
Matured or derecognized assets (except for write off)	(967)	(307,622)	(23,100)	-	(1,476,331)	(32,664)	(209,736)	(1,026)	(5,477)	(55,739)	(416,759)	(865)	-	(2,530,286)
Foreign exchange differences	15,282	5,911	795	-	91,414	6,973	14,304	-	490	5,522	7,196	-	-	147,887
Gross carrying amount as at 31 December 2021	**1,311,122**	**360,661**	**-**	**5,808**	**14,508,167**	**1,329,925**	**1,938,178**	**791,380**	**14,528**	**9,643**	**339,484**	**-**	**1,830**	**20,610,726**
Loss allowance as at 31 December 2021	**(1)**	**(15)**	**-**	**(3,655)**	**(145,049)**	**(65,199)**	**(680,964)**	**(3,828)**	**(928)**	**(8,266)**	**(3,255)**	**-**	**(1,206)**	**(912,366)**

*The line “Changes in EAD” represents changes in the gross carrying amount of financial assets measured at amortised cost issued in prior periods which have not been fully repaid during 2021, and transfers of new issued financial assets measured at amortised cost between stages.

	Cash and cash equivalents (Note 6)	**Due from other banks (Note 7)**			**Loans and advances to customers (Note 8)**			**Investment securities measured at amortised cost (Note 9)**	**Other financial assets (Note 12)**		**Credit related commitments (Note 32)**			**Total**
In millions of Uzbekistan Soums	**Stage 1 12-month ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	
Loss allowance for ECL as at 31 December 2020	**30**	**947**	**6,784**	**-**	**77,214**	**22,700**	**315,630**	**1,491**	**957**	**38,264**	**579**	**9**	**-**	**464,605**
Changes in the gross carrying amount														
- Transfer from stage 1	-	(54)	54	-	(35,841)	35,841	-	-	-	-	(16)	16	-	-
- Transfer from stage 2	-	-	(57)	57	60,631	(98,833)	38,202	-	(2)	2	-	(16)	16	-
- Transfer from stage 3	-	-	-	-	-	82,310	(82,310)	-	2,011	(2,011)	-	-	-	-
- Changes in EAD*	(31)	(748)	(278)	3,598	(92,263)	26,194	482,679	(4)	(1,864)	(976)	141	-	1,190	**417,638**
New assets issued or acquired	-	11	-	-	142,490	-	-	2,341	667	7,634	2,836	-	-	**155,979**
Matured or derecognized assets (except for write off)	-	(147)	(6,781)	-	(7,539)	(3,059)	(74,048)	-	(875)	(34,660)	(287)	(9)	-	**(127,405)**
Foreign exchange differences	2	6	278	-	357	46	811	-	34	13	2	-	-	1,549
Loss allowance for ECL as at 31 December 2021	**1**	**15**	**-**	**3,655**	**145,049**	**65,199**	**680,964**	**3,828**	**928**	**8,266**	**3,255**	**-**	**1,206**	**912,366**

*“Changes in EAD” are attributable to changes in parameters (PD, LGD), changes in EAD and adjustment of ECL due to transfer to new stages, as well as transfers of ECL on new financial assets measured at amortised cost originated during the reporting period from Stage 1 to other stages.

Geographical risk. Control over the risk related to changes in the legislation and regulatory arena and assessment of their influence on the Group’s activity is carried out by all participants of risk management process within their authorities and responsibilities. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Uzbekistan. Risk oversight committee sets country limits, assessment and control over the concentration risk is carried out by Risk management.

The geographical concentration of the Group’s financial assets and liabilities at 31 December 2022 is set out below:

In millions of Uzbekistan Soums	**Uzbekistan**	**OECD**	**non-OECD**	**Total**
FINANCIAL ASSETS				
Cash and cash equivalents	2,036,297	9,765	4	2,046,066
Due from other banks	611,705	-	551	612,256
Loans and advances to customers	19,255,052	-	-	19,255,052
Investment securities measured at amortised cost	1,246,670	-	-	1,246,670
Financial assets at fair value through other comprehensive income	21,284	-	-	21,284
Other financial assets	13,014	433	1,419	14,866
TOTAL FINANCIAL ASSETS	**23,184,022**	**10,198**	**1,974**	**23,196,194**
FINANCIAL LIABILITIES				
Due to other banks	398,723	-	1,893,612	2,292,335
Customer accounts	4,911,716	-	-	4,911,716
Borrowings from government and international financial institutions	6,954,427	2,701,503	5,010,691	14,666,621
Debt securities in issue	104,498	-	-	104,498
Other financial liabilities	10,935	1,459	5,051	17,445
TOTAL FINANCIAL LIABILITIES	**12,380,299**	**2,702,962**	**6,909,354**	**21,992,615**
NET POSITION	**10,803,723**	**(2,692,764)**	**(6,907,380)**	

All financial assets and liabilities from OECD countries comprise banking institutions of Germany, France, Turkey, Albania, Italy, Japan, European Union countries, and United States of America; non-OECD countries comprise banking institutions of Russia, Saudi Arabia, Malaysia, and China.

The geographical concentration of the Group’s financial assets and liabilities at 31 December 2021 is set out below:

In millions of Uzbekistan Soums	**Uzbekistan**	**OECD**	**non-OECD**	**Total**
FINANCIAL ASSETS				
Cash and cash equivalents	1,276,108	219	34,794	1,311,121
Due from other banks	362,257	-	542	362,799
Loans and advances to customers	16,885,058	-	-	16,885,058
Investment securities measured at amortised cost	787,552	-	-	787,552
Financial assets at fair value through other comprehensive income	15,925	-	-	15,925
Other financial assets	8,308	5,305	1,364	14,977
TOTAL FINANCIAL ASSETS	**19,335,208**	**5,524**	**36,700**	**19,377,432**
FINANCIAL LIABILITIES				
Due to other banks	946,504	-	455,458	1,401,962
Customer accounts	4,169,128	-	-	4,169,128
Borrowings from government and international financial institutions	5,219,981	1,799,861	5,111,165	12,131,007
Debt securities in issue	94,456	-	-	94,456
Other financial liabilities	7,084	83	-	7,167
TOTAL FINANCIAL LIABILITIES	**10,437,153**	**1,799,944**	**5,566,623**	**17,803,720**
NET POSITION	**8,898,055**	**(1,794,420)**	**(5,529,923)**	

The following table details credit ratings of financial assets held by the Group as at 31 December 2022:

In millions of Uzbekistan Soums	**From AAA to A**	**From A- to CCC-**	**Not rated**	**CBU**	**Total**
Cash and cash equivalents	8,406	1,191,444	1,363	844,853	**2,046,066**
Due from other banks	-	528,172	551	83,533	**612,256**
Loans and advances to customers	-	-	19,255,052	-	**19,255,052**
Investment securities measured at amortised cost	-	1,053,058	-	193,612	**1,246,670**
Financial assets at fair value through other comprehensive income	-	-	21,284	-	**21,284**
Other financial assets	-	-	14,866	-	**14,866**
Commitments and contingencies	-	-	282,175	-	**282,175**

The following table details credit ratings of financial assets held by the Group as at 31 December 2021:

In millions of Uzbekistan Soums	**From AAA to A**	**From A- to CCC-**	**Not rated**	**CBU**	**Total**
Cash and cash equivalents	219	565,852	-	745,050	**1,311,121**
Due from other banks	-	290,111	-	72,688	**362,799**
Loans and advances to customers	-	-	16,885,058	-	**16,885,058**
Investment securities measured at amortised cost	-	475,739	-	311,813	**787,552**
Financial assets at fair value through other comprehensive income	-	-	15,925	-	**15,925**
Other financial assets	-		14,977	-	**14,977**
Commitments and contingencies	-	-	322,134	-	**322,134**

For the balances with CBU, the quality categories are determined based on the Moody's sovereign rating– B1 positive (as at 31 December 2021: B1 positive).

The Group enters into number of transactions where the counterparties are not rated by international rating agencies.

The Group has developed internal models, which allow it to determine the rating of counterparties. A methodology to determine ratings of borrowers has been developed in the Group to assess corporate borrowers. This method allows for calculation and assignment/confirmation of a borrower's rating and rating of collateral for a loan. The system is based on a scoring model depending on key performance indicators of the borrower with the possibility of insignificant expert adjustments in case of insufficient objectivity of the benchmark.

The method provides for the rating assignment on the basis of the following criteria groups: market indicators of the borrower, credit history, transparency and reliability of information, information on business and business environment, relations of the Group and the borrower, financial situation of the borrower, business activity, and collateral provided. The financial situation and business activity are the most important criteria. Therefore, the scoring model provides for overall assessment of the borrower and the loan. A model of the borrower's scoring assessment has been developed in the Group to assess and decide on loans to small and medium-sized businesses. The scoring model is developed relating to standard loan products and includes key performance indicators of borrowers: financial situation, relations with the borrower, management quality, target use, location, credit history, collateral, etc. The scoring assessment based on the borrower's parameters is one of the main factors for the decision-making process relating to loans. A methodology of evaluation of borrowers-individuals is based on following criteria: education, occupancy, financial position, credit history, property owned by the borrower. Based on information obtained the maximum limit of a loan is calculated.

The maximum limit of a loan is calculated using a ratio of debt pressure on a borrower. The Group applies internal methodologies to specific corporate loans and groups of retail loans. The scoring methodologies are tailor-made for specific products and are applied at various stages over the life of the loan. As a result, it is not possible to make a cross-product score comparison which would agree to the outstanding balance of loans and advances to customers per the consolidated statement of financial position. As such, more detailed information is not being presented.

Financial assets other than loans and advances to customers are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, Standard & Poor's and Moody's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

Renegotiated loans and advances. Loans and advances to customers are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and loans are no longer considered past due. Unless there were no indicators of significant increase in credit risk as at reporting date and loans have been repaid for 25% or more of principal amount from the date of restructuring, restructuring, though being considered as not overdue, will be automatically classified as credit-impaired (Stage 3). Loans continue to be subject to an individual or collective impairment assessment. The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Republic of Uzbekistan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group risk management policy are not breached.

Liquidity risk. Liquidity risk refers to the availability of sufficient funds to meet deposits withdrawals and other financial commitments associated with financial instruments as they actually fall due. The Treasury Department controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial periods. Current liability is managed by the Treasury Department, which deals in the money markets for current liquidity and cash flow optimization. In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on customers' and banking operations, which is a part of assets/liabilities management process. The Board of Management of the Group sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. An analysis of the liquidity risk is presented in the following table.

The presentation of balances below is based upon the information provided internally to key management personnel of the entity as at 31 December 2022:

In millions of Uzbekistan Soums	**Up to 1 month**	**1 month to 6 months**	**6 months to 1 year**	**Over 1 year**	**Maturity undefined**	**Total**
FINANCIAL ASSETS						
Cash and cash equivalents	474,509	180,344	-	-	-	654,853
Due from other banks	1,809	389,685	9,758	126,102	-	527,354
Loans and advances to customers	639,041	2,140,989	2,142,019	13,660,391	101,805	18,684,245
Investment securities measured at amortised cost	121,277	256,155	162,246	675,425	-	1,215,103
Total interest-bearing financial assets	**1,236,636**	**2,967,173**	**2,314,023**	**14,461,918**	**101,805**	**21,081,555**
Cash and cash equivalents	1,391,022	191	-	-	-	1,391,213
Due from other banks	83,640	-	-	1,262	-	84,902
Loans and advances to customers	60,119	114,016	77,284	308,635	10,753	570,807
Investment securities measured at amortised cost	1	451	251	30,864	-	31,567
Financial assets at fair value through other comprehensive income	21,284	-	-	-	-	21,284
Other financial assets	12,740	1,377	749	-	-	14,866
Total financial assets	**2,805,442**	**3,083,208**	**2,392,307**	**14,802,679**	**112,558**	**23,196,194**
FINANCIAL LIABILITIES						
Due to other banks	7,051	1,744,661	126,679	401,324	-	2,279,715
Customer accounts	524,472	1,111,402	1,552,537	773,876	-	3,962,287
Borrowings from government and international financial institutions	2,052,773	518,619	551,095	10,995,218	-	14,117,705
Debt securities in issue	-	-	74,100	30,000	-	104,100
Total interest-bearing financial liabilities	**2,584,296**	**3,374,682**	**2,304,411**	**12,200,418**	**-**	**20,463,807**
Due to other banks	12,620	-	-	-	-	12,620
Customer accounts	946,784	2,245	100	300	-	949,429
Borrowings from government and international financial institutions	326,394	55,380	70,315	96,827	-	548,916
Debt securities in issue	398	-	-	-	-	398
Other financial liabilities	17,445	-	-	-	-	17,445
Credit related commitments	167,868	113,029	1,278	-	-	282,175
Total financial liabilities	**4,055,805**	**3,545,336**	**2,376,104**	**12,297,545**	**-**	**22,274,790**
Interest sensitivity gap	(1,347,660)	(407,509)	9,612	2,261,500	101,805	617,748
Cumulative interest sensitivity gap	**(1,347,660)**	**(1,755,169)**	**(1,745,557)**	**515,943**	**617,748**	
Liquidity gap	(1,250,363)	(462,128)	16,203	2,505,134	112,558	921,404
Cumulative liquidity gap	**(1,250,363)**	**(1,712,491)**	**(1,696,288)**	**808,846**	**921,404**	

The negative cumulative liquidity gap above between financial assets and liabilities up to 1 year is caused due to classification of certain loans provided by the government and international financial institutions and credit related commitments as "Up to 1 month" category as discussed below:

- As at 31 December 2022, the Group was not in compliance with certain financial covenants stipulated in loan agreements ICD, ADB, IFAD, Banka Kombëtare Tregtare SH.a, and KFW IPEX BANK, and classified these loans including their accrued interest in the total amount of UZS 2,211,928 million as "Up to 1 month" category as a result of the non-compliance.
- As at 31 December 2022 and 2021, guarantees issued in USD in the amount of equivalent to UZS 87,264 million and UZS 128,219 million, and the commitments on unused credit lines in the amount of equivalent to UZS 22,232 million and UZS 58,466 million are assumed to be due immediately in all cases, respectively.

Loans and advances to customers and borrowings from government and international financial institutions disclosed as non-interest-bearing financial assets and liabilities represent the accrued interest during the year, including zero rate educational loans and zero rate borrowings received from the Government under the Presidential Decree #PP 3651 dated 5 April 2018, respectively.

The Management of the Group is of the view that through their contingency plans the Group will be able to attract resources sufficient to cover any potential negative liquidity gap.

- Attraction of budgetary funds up to one year through weekly electronic bidding platform run by State Treasury under the Ministry of Finance;
- Utilization of CBU's short-term liquidity loans;
- Attraction of deposits from inter-bank money markets within the limits set by local commercial banks.

The presentation of balances below is based upon the information provided internally to key management personnel of the entity as at 31 December 2021:

In millions of Uzbekistan Soums	**Up to 1 month**	**1 month to 6 months**	**6 months to 1 year**	**Over 1 year**	**Maturity undefined**	**Total**
FINANCIAL ASSETS						
Cash and cash equivalents	200,000	65,025	-	-	-	265,025
Due from other banks	44,999	97,181	16,674	129,232	-	288,086
Loans and advances to customers	369,183	1,905,159	1,881,995	12,334,434	128,829	16,619,600
Investment securities measured at amortised cost	113,706	449,305	61,334	159,676	-	784,021
Other financial assets	-	728	3,075	-	-	3,803
Total interest-bearing financial assets	**727,888**	**2,517,398**	**1,963,078**	**12,623,342**	**128,829**	**17,960,535**
Cash and cash equivalents	1,045,924	172	-	-	-	1,046,096
Due from other banks	74,553	104	43	13	-	74,713
Loans and advances to customers	27,217	137,522	83,956	161	16,602	265,458
Investment securities measured at amortised cost	3,531	-	-	-	-	3,531
Financial assets at fair value through other comprehensive income	15,925	-	-	-	-	15,925
Other financial assets	10,427	712	25	10	-	11,174
Total financial assets	**1,905,465**	**2,655,908**	**2,047,102**	**12,623,526**	**145,431**	**19,377,432**
FINANCIAL LIABILITIES						
Due to other banks	84,188	324,317	369,918	618,018	-	1,396,441
Customer accounts	707,835	987,816	1,118,305	582,828	-	3,396,784
Borrowings from government and international financial institutions	1,926,547	401,458	472,937	9,030,864	-	11,831,806
Debt securities in issue	-	-	20,000	74,100	-	94,100
Total interest-bearing financial liabilities	**2,718,570**	**1,713,591**	**1,981,160**	**10,305,810**	**-**	**16,719,131**
Due to other banks	5,521	-	-	-	-	5,521
Customer accounts	772,344	-	-	-	-	772,344
Borrowings from government and international financial institutions	131,791	2,567	64,198	100,645	-	299,201
Debt securities in issue	356	-	-	-	-	356
Other financial liabilities	7,167	-	-	-	-	7,167
Credit related commitments	239,306	81,891	937	-	-	322,134
Total financial liabilities	**3,875,055**	**1,798,049**	**2,046,295**	**10,406,455**	**-**	**18,125,854**
Interest sensitivity gap	(1,990,682)	803,807	(18,082)	2,317,532	128,829	1,241,404
Cumulative interest sensitivity gap	**(1,990,682)**	**(1,186,875)**	**(1,204,957)**	**1,112,575**	**1,241,404**	**2,482,808**
Liquidity gap	(1,969,590)	857,859	807	2,217,071	145,431	1,251,578
Cumulative liquidity gap	**(1,969,590)**	**(1,111,731)**	**(1,110,924)**	**1,106,147**	**1,251,578**	**2,503,156**

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. The table above summarises the Group’s exposure to interest rate risks. The table presents the aggregated amounts of the Group’s financial assets and liabilities at carrying amounts, categorised by the maturity dates.

In the table above, the terms to maturity correspond to the contractual terms. However, individuals are entitled to terminate the deposit agreement ahead of schedule according to effective laws and entitled for the full deposit amount.

As at 31 December 2022, if interest rates at that date had been 165 basis points lower (2021: 165 basis points lower) with all other variables held constant, profit for the year would have been UZS 15,740 million higher (2021: UZS 8,275 million higher).

If interest rates had been 165 basis points higher (2021: 165 basis points higher), with all other variables held constant, profit would have been UZS 15,740 million lower (2021: UZS 8,275 million lower).

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to ex tend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The undiscounted maturity analysis of financial liabilities at 31 December 2022 is as follows:

In millions of Uzbekistan Soums	**Up to 1 month**	**1 month to 6 months**	**6 months to 1 year**	**Over 1 year**	**Total**
Interest-bearing financial liabilities					
Due to other banks	29,079	1,762,881	140,168	424,624	**2,356,752**
Customer accounts	573,390	1,310,679	1,686,373	808,802	**4,379,244**
Borrowings from government and international financial institutions	2,103,253	852,836	932,929	18,468,429	**22,357,447**
Debt securities in issue	1,574	7,618	83,048	35,141	**127,381**
Total interest-bearing financial liabilities	**2,707,296**	**3,934,014**	**2,842,518**	**19,736,996**	**29,220,824**
Non-interest-bearing financial liabilities and commitments					
Due to other banks	12,620	-	-	-	**12,620**
Customer accounts	946,784	2,245	100	300	**949,429**
Borrowings from government and international financial institutions	326,394	55,380	70,315	96,827	**548,916**
Debt securities in issue	398	-	-	-	**398**
Other financial liabilities	17,445	-	-	-	**17,445**
Credit related commitments	167,868	113,029	1,278	-	**282,175**
Total non-interest-bearing financial liabilities and commitments	**1,471,509**	**170,654**	**71,693**	**97,127**	**1,810,983**
Total financial liabilities and commitments	**4,178,805**	**4,104,668**	**2,914,211**	**19,834,123**	**31,031,808**

The undiscounted maturity analysis of financial liabilities at 31 December 2021 is as follows:

In millions of Uzbekistan Soums	**Up to 1 month**	**1 month to 6 months**	**6 months to 1 year**	**Over 1 year**	**Total**
Interest-bearing financial liabilities					
Due to other banks	95,243	361,826	397,641	663,776	**1,518,486**
Customer accounts	744,126	1,112,196	1,204,056	626,459	**3,686,837**
Borrowings from government and international financial institutions	1,942,284	652,628	711,770	12,775,684	**16,082,366**
Debt securities in issue	1,735	6,628	26,996	87,031	**122,390**
Total interest-bearing financial liabilities	**2,783,388**	**2,133,278**	**2,340,463**	**14,152,950**	**21,410,079**
Non-interest-bearing financial liabilities and commitments					
Due to other banks	5,521	-	-	-	**5,521**
Customer accounts	772,344	-	-	-	**772,344**
Borrowings from government and international financial institutions	131,791	2,567	64,198	100,645	**299,201**
Debt securities in issue	356	-	-	-	**356**
Other financial liabilities	7,167	-	-	-	**7,167**
Credit related commitments	239,306	81,891	937	-	**322,134**
Total non-interest-bearing financial liabilities and commitments	**1,156,485**	**84,458**	**65,135**	**100,645**	**1,406,723**
Total financial liabilities and commitments	**3,939,873**	**2,217,736**	**2,405,598**	**14,253,595**	**22,816,802**

Market risk. Market risk is that the risk that the Group's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices. Market risk covers interest rate risk, currency risk, credit spreads, commodity prices and equity prices that the Group is exposed to. There have been no changes as to the way the Group measures risk or to the risk it is exposed or the manner in which these risks are managed and measured.
The Group is exposed to interest rate risks as it borrows funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The Treasury Department also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a total cumulative positive interest margin. The Treasury Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

The majority of the Group's loan contracts and other financial assets and liabilities that bear interest which contains clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequently cash flow risk.

Currency risk. Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

Assets and Liabilities Management Committee controls currency risk by analysis and management of the open currency position on the estimated basis of UZS devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations towards its national currency. The Treasury Department performs daily monitoring of the Group's open currency position based on daily reports and information with the aim to match the requirements of CBU.

The Group measures its currency risk by:

- Net position on each foreign currency should not exceed 10% of Group's Total Regulatory Capital in accordance with the accounting policies set by CBU;
- Total net position on all foreign currencies should not exceed 15% of Group's Total Regulatory Capital in accordance with the accounting policies set by CBU.

The Group's exposure to foreign currency exchange rate risk at 31 December 2022 is presented in the table below:

In millions of Uzbekistan Soums	**UZS**	**USD**	**EUR**	**Other**	**Total**
FINANCIAL ASSETS					
Cash and cash equivalents	783,048	1,215,176	29,675	18,167	2,046,066
Due from other banks	226,883	337,580	47,793	-	612,256
Loans and advances to customers	14,555,827	4,390,415	308,810	-	19,255,052
Investment securities measured at amortised cost	1,246,670	-	-	-	1,246,670
Financial assets at fair value through other comprehensive income	21,284	-	-	-	21,284
Other financial assets	12,311	2,411	144	-	14,866
TOTAL FINANCIAL ASSETS	**16,846,023**	**5,945,582**	**386,422**	**18,167**	**23,196,194**
FINANCIAL LIABILITIES					
Due to other banks	-	2,286,060	-	6,275	2,292,335
Customer accounts	4,286,284	608,341	9,876	7,215	4,911,716
Borrowings from government and international financial institutions	10,748,131	3,503,973	414,517	-	14,666,621
Debt securities in issue	104,498	-	-	-	104,498
Other financial liabilities	10,934	6,511	-	-	17,445
TOTAL FINANCIAL LIABILITIES	**15,149,847**	**6,404,885**	**424,393**	**13,490**	**21,992,615**
NET BALANCE SHEET POSITION	**1,696,176**	**(459,303)**	**(37,971)**	**4,677**	

The Group's exposure to foreign currency exchange rate risk at 31 December 2021 is presented in the table below:

In millions of Uzbekistan Soums	**UZS**	**USD**	**EUR**	**Other**	**Total**
FINANCIAL ASSETS					
Cash and cash equivalents	561,894	690,753	55,091	3,383	1,311,121
Due from other banks	233,411	129,388	-	-	362,799
Loans and advances to customers	12,874,309	3,789,244	221,505	-	16,885,058
Investment securities measured at amortised cost	787,552	-	-	-	787,552
Financial assets at fair value through other comprehensive income	15,925	-	-	-	15,925
Other financial assets	4,488	10,489	-	-	14,977
TOTAL FINANCIAL ASSETS	**14,477,579**	**4,619,874**	**276,596**	**3,383**	**19,377,432**
FINANCIAL LIABILITIES					
Due to other banks	455,620	946,342	-	-	1,401,962
Customer accounts	3,476,913	680,609	11,590	16	4,169,128
Borrowings from government and international financial institutions	8,705,256	3,126,970	298,781	-	12,131,007
Debt securities in issue	94,456	-	-	-	94,456
Other financial liabilities	7,084	83	-	-	7,167
TOTAL FINANCIAL LIABILITIES	**12,739,329**	**4,754,004**	**310,371**	**16**	**17,803,720**
NET BALANCE SHEET POSITION	**1,738,250**	**(134,130)**	**(33,775)**	**3,367**	

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the reporting date relative to the functional currency of the respective entities, with all other variables held constant:

	2022	**2021**
In millions of Uzbekistan Soums	**Impact on profit or loss**	**Impact on profit or loss**
US Dollars strengthening by 15% (2021: 15%)	(68,895)	(20,120)
US Dollars weakening by 15% (2021: 15%)	68,895	20,120
Euro strengthening by 15% (2021: 15%)	(5,696)	(5,066)
Euro weakening by 15% (2021: 15%)	5,696	5,066

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

The exposure calculated only for monetary balances denominated in currencies other than the functional currency of the Group. Impact on equity would be the same as impact on statement of comprehensive income.

Limitations of sensitivity analysis. The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity. Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

(in millions of Uzbekistan Soums, unless otherwise indicated)

The Bank monitors interest rates for its financial instruments. The table below summarises nominal interest rates based on reports reviewed by key management personnel:

			2022			**2021**
	UZS	**USD**	**EUR**	**UZS**	**USD**	**EUR**
Assets						
Cash and cash equivalents	-	-	-	0-18.5%	0-4.75%	-
Due from other banks	0-10%	0-7%	5-6%	0-20%	0-6%	-
Loans and advances to customers	0%-36%	0%-14%	2.75%-10%	0-36%	0-13%	2.75-12%
Investment securities measured at amortised cost	14-18%	-	-	14-18%	-	-
Liabilities						
Due to other banks	-	4.55-7%	-	14-18%	5-7.3%	-
Debt securities in issue	CBU refinancing rate+1%-CBU refinancing rate+4%	-	-	CBU refinancing rate+1%-CBU refinancing rate+4%	-	-
Customer accounts						
Individuals						
- *current/demand accounts*	-	-	-	-	-	-
- *term deposits*	0-28%	2-6%	-	0-24%	2-6%	-
Legal entities						
- *current/demand accounts*	0-10%	-	-	0-10%	-	-
- *term deposits*	0-20%	0-7%	5.5-7%	0-22%	5-7%	5-7%
Borrowings from government and international financial institutions						
- *borrowings from the Ministry of Finance of Uzbekistan*	0-13%	5.25-5.88%	-	0-14%	5.25-5.88%	-
- *term borrowings from international financial institutions*	3-15%	2.28-8.79%	1.25-5.79%	3-14%	0.19-6.1%	1.25-4.3%
- *term borrowings from domestic financial institutions*	3-20%	2-7.3%	-	0-20%	2-6%	-

Other price risk. The Bank is exposed to prepayment risk through providing loans, including mortgages, which give the borrower the right to early repay the loans. The Bank’s current year profit or loss and equity at the current reporting date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2021: no material impact). The Bank has no significant exposure to equity price risk.

31. Management of Capital

The Bank’s objectives when managing capital are (i) to comply with the capital requirements set by CBU, and (ii) to safeguard the Bank’s ability to continue as a going concern. Compliance with capital adequacy ratios set by CBU is monitored monthly with reports outlining their calculation reviewed and signed by the Chairman and Chief Accountant.

Under the current capital requirements set by CBU, banks have to maintain ratios of:

		Prescribed minimum level	31 December 2022 (unaudited)	31 December 2021 (unaudited)
Regulatory capital ratio	Ratio of regulatory capital to risk weighted assets	0.13	0.139	0.143
Capital adequacy ratio	Ratio of Bank's tier 1 capital to risk weighted assets	0.1	0.110	0.109
Capital adequacy ratio	Ratio of Bank's main tier 1 capital to risk weighted assets	0.08	0.110	0.109
Leverage ratio	Ratio of Bank's tier 1 capital to total assets less intangibles	0.06	0.098	0.104

The following table analyses the Group's regulatory capital resources for capital adequacy purposes in accordance with the requirements set by CBU:

In millions of Uzbekistan Soums	**31 December 2022 (unaudited)**	**31 December 2021 (unaudited)**
Tier 1 capital	2,487,346	2,189,353
Tier 2 capital	666,159	675,186
Total regulatory capital	**3,153,505**	**2,864,539**
Risk - weighted assets	**22,678,855**	**20,073,454**

32. Commitments and Contingencies

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

As at 31 December 2022 and 2021, the nominal or contract amounts were:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Guarantees issued	237,029	268,129
Commitments on unused credit lines	22,232	58,466
Letters of credit and other transaction related contingent obligations	2,023	14,719
Letters of credit, post-financing with commencement after reporting period end	27,043	-
Total credit related commitments, gross	**288,327**	**341,314**
Cash coverage	(2,548)	(14,719)
Less: Provision for expected credit losses	(3,604)	(4,461)
Total credit related commitments	**282,175**	**322,134**

Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Capital commitments – at 31 December 2022 the Group have contractual capital expenditure commitments in the amount of UZS 10,689 million in respect of property and equipment (31 December 2021: UZS 30,083 million).

Lease commitments – the Group had no material lease commitments outstanding as at 31 December 2022 and 2021.

Legal proceedings – From time to time and in the normal course of business, claims against the Group can be received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred by the Group and accordingly no provision has been made in these consolidated financial statements.

Taxation. Provisions of the Uzbek tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the Uzbek tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the Uzbek tax authorities often interpret the tax legislation not in favour of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities. It should be noted that the Uzbek tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of "unjustified tax benefit", "primary commercial goal of transaction" and the criteria of "commercial purpose (substance) of transaction". Such uncertainty could, in particular, be attributed to tax treatment of financial instruments and determination of market price of transactions for transfer pricing purposes. It could also lead to temporary taxable differences occurred due to loan impairment provisions and income tax liabilities being treated by the tax authorities as understatement of the tax base. The management of the Group is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required. Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the clarification of the Country Constitutional Court the statute of limitation for tax liabilities may be extended beyond the five year term set forth in the tax legislation, if a court determines that the taxpayer has obstructed or hindered a tax inspection.

33. Fair Value of Financial Instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). The Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In millions of Uzbekistan Soums	**Fair value as at 31 December 2022**	**Fair value as at 31 December 2021**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Financial assets at fair value through other comprehensive income (equity instruments)	21,284	15,925	Level 3	Discounted cash flows of future expected dividends. Discount rate estimated based on unobservable internally generated historical dividend received rates	Discount rate	The greater discount - the smaller fair value

The Group considers that the accounting estimate related to the valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to changes from year to year, as it requires the Management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on the consolidated statement of financial position, as well as, the related other comprehensive income.

The fair value of the equity instruments at fair value through other comprehensive income were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value of using the average rate of return on investments. The Management believes that this approach accurately reflects the fair value of these securities, given they are not traded. Such financial instruments were categorised as Level 3.

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2022				31 December 2021			
In millions of Uzbekistan Soums	**Level 2 fair value**	**Level 3 fair value**	**Total fair value**	**Carrying value**	**Level 2 fair value**	**Level 3 fair value**	**Total fair value**	**Carrying value**
Loans and advances to customers	-	19,576,028	19,576,028	19,255,052	-	16,344,638	16,344,638	16,885,058
Due from other banks	-	594,084	594,084	612,256	-	356,694	356,694	362,799
Investment securities measured at amortised cost	-	1,163,634	1,163,634	1,246,670	-	732,531	732,531	787,552
Due to other banks	-	2,321,703	2,321,703	2,292,335	-	1,395,787	1,395,787	1,401,962
Customer accounts	4,937,007	-	4,937,007	4,911,716	4,210,728	-	4,210,728	4,169,128
Borrowings from government and international financial institutions	-	14,999,719	14,999,719	14,666,621	-	12,292,164	12,292,164	12,131,007

Except as detailed in the above table, the management considers that the carrying values of financial assets and financial liabilities recognised in the *consolidated* financial statements approximate their fair values.

As at 31 December 2022 and 2021, the Group determined fair value for some of its financial assets and liabilities using the discounted cash flow model by applying CBU statistical bulletin, which became open to public starting 2019. Such financial instruments were categorised as Level 2.

For those financial instruments where interest rates were not directly available in CBU statistical bulletin, the Management used discounted cash flow model by applying market interest rates based on the rates of the deals concluded towards the end of the reporting period, thereby, categorizing such instruments as Level 3.

34. Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Transactions between the Bank and its subsidiary, which is a related party to the Bank, have been eliminated on consolidation and are not disclosed in this note. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties. Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with unrelated parties.

Details of transactions between the Group and other related parties are disclosed below:

	31 December 2022		31 December 2021	
In millions of Uzbekistan Soums	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Cash and cash equivalents				
- entities under common control	1,348,431	2,046,066	934,836	1,311,121
Due from other banks				
- entities under common control	611,092	612,256	329,152	362,799
Loans and advances to customers				
- key management personnel	-	19,255,052	1,263	16,885,058
- entities under common control	264,288	19,255,052	379,142	16,885,058
Investment securities measured at amortised cost				
- shareholders	1,053,058	1,246,670	473,714	787,552
- entities under common control	193,612	1,246,670	311,813	787,552
Current income tax prepayment				
- entities under common control	11,183	11,183	30,862	30,862
Other assets				
- entities under common control	283	35,904	1,238	75,321
Due to other banks				
- entities under common control	433,356	2,292,335	795,222	1,401,962
Borrowings from government and international financial institutions				
- shareholders	5,955,111	14,666,621	4,447,771	12,131,007
- entities under common control	897,177	14,666,621	663,280	12,131,007
Customer accounts				
- shareholders	1,021,880	4,911,716	1,007,097	4,169,128
- key management personnel	-	4,911,716	-	4,169,128
- entities under common control	1,030,447	4,911,716	917,514	4,169,128
Other liabilities				
- shareholders	120	50,946	100	42,073
- entities under common control	4,241	50,946	456	42,073

	2022		2021	
In millions of Uzbekistan Soums	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Interest income				
- shareholders	117,843	2,613,455	24,285	1,901,717
- entities under common control	87,928	2,613,455	111,329	1,901,717
Interest expense				
- shareholders	(570,530)	(1,540,908)	(208,104)	(1,055,887)
- entities under common control	(244,641)	(1,540,908)	(325,904)	(1,055,887)
Fee and commission income				
- entities under common control	2,785	192,507	1,294	141,092
Fee and commission expense				
- entities under common control	(16,376)	(45,922)	(10,695)	(28,596)
Operating expenses				
- entities under common control	(21,945)	(786,747)	(41,008)	(501,715)
- key management personnel	(7,758)	(786,747)	(4,911)	(501,715)
Income tax benefit/(expense)				
- entities under common control	52,615	52,615	(1,444)	(1,444)

	2022		2021	
In millions of Uzbekistan Soums	**Related party transactions**	**Total category as per the financial statements caption**	**Related party transactions**	**Total category as per the financial statements caption**
Key management personnel compensation:				
- short-term employee benefits	7,758	494,927	4,911	349,926
Total	**7,758**	**494,927**	**4,911**	**349,926**

35. Subsequent Events

Subsequent to the reporting date, during January – April 2023, the Group attracted EUR-denominated additional long-term loan in the amount equivalent to UZS 97,528 million with the interest rate of six-month EURIBOR +0.75% per annum in accordance with the loan agreement with KfW IPEX-Bank GmbH dated 14 January 2019 on the promotion of the delivery of goods from exporters in European countries to importers in the Republic of Uzbekistan, maturing October 2031.

During January – April 2023, the Group attracted additional long-term purpose funds from the Fund for Reconstruction and Development of the Republic of Uzbekistan, in accordance with the Presidential Decree #PQ-212 dated 19 April 2022 "On measures to further expand the mechanisms for financing entrepreneurial projects in the regions" in the amount of UZS 69,195 million, maturing June 2029, with the interest rate of 10% per annum.

During February – March 2023, the Group attracted additional short-term purpose funds from the Export Promotion Agency under the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan, in accordance with the Presidential Decree #PQ-4069 dated 20 December 2018, on measures to strengthen export support and promotion, in the amount of UZS 81,966 million, with the interest rate of 2% per annum.

On 1 January 2023, Cabinet of Ministers of the Republic of Uzbekistan formed new ministry named "Ministry of Economy and Finance" which includes prior Ministry of Finance, Ministry of Economic Development and Poverty Reduction, State Customs Committee and State Tax Committee in accordance with the Presidential Decree #269 "On measures for the implementation of administrative reform in the new Uzbekistan" issued on 21 December 2022.

On 13 February 2023, ADB issued a letter to the Bank confirming ADB's agreement with the action plan and the fact that ADB remains committed to the Project and to continuing relationships with Ministry of Finance does not provide a definition of an event of default. Therefore, the Management considers the breach of the covenants not to be an event of default and currently in discussion with Ministry of Finance on receiving a letter confirming that this breach of the covenant is not considered to be an event of default.

On 14 March 2023, 11,582,390,268 ordinary shares, or 74.45% of the total ordinary shares of the Bank owned by the Ministry of Economy and Finance (prior Ministry of Finance) were transferred to the Agency for Strategic Reforms under the President of the Republic of Uzbekistan in accordance with the Presidential Decree #PD-83 "On measures to accelerate the processes of reforming the State participated enterprises".

The Bank founded a new subsidiary named "Green-Energy-Service-Group" LLC with 100% ownership via investing UZS 15,000 million for authorized capital in accordance with the Presidential Decree #PQ-57 dated 16 February 2023 "On measures to accelerate the implementation of renewable energy sources and energy saving technologies in 2023".

During January – April 2023, the Group received additional long-term purpose funds from the International Bank for Reconstruction and Development for the development of the horticultural sector in the Republic of Uzbekistan, in the amount of UZS 45,655 million, with the interest rate of 4.4% per annum.

On 17 March 2023, the Group sold its 100% shares of JSC "Perfect insurance" for UZS 51,597 million.